DOCUMENT RESUME

ED 207 879 SO 013 564

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TITLE Guide to the Intergration of Selected Concepts of Economics into the History Curriculum of Fort Worth Country Day School.
PUB DATE Sep 79
NOTE 134p.

EDRS PRICE MF01/PC06 Plus Postage.
DESCRIPTORS *Concept Teaching; *Economics Education; European History; *History Instruction; *Interdisciplinary Approach; Intermediate Grades; Medieval History; Secondary Education; State History; Teaching Guides; United States History

ABSTRACT

This guide will help teachers of grades 6-12 integrate economics concepts into history courses. The developers believe that the language and theories of economics are more understandable, germane, and pertinent in the context of a history curriculum. The seven basic economic concepts taught are: the law of demand, the law of supply, private property, the competitive marketplace, the scope of government, money and inflation, and collateral concepts. In a narrative format, the guide discusses how these economics concepts can be taught through various topics and happenings in history of the Middle Ages, modern European history, world history, and U.S. history. For example, in a Middle Ages history course, the manor (a self-sufficient farm community) can be used to illustrate the economic concepts of supply and demand. The Reformation is very intertwined in economics. Many of the followers of Luther, Calvin, and Zurngli joined the movement for purely economic reasons. The "Protestant ethic" was a major step in the development of the modern European economy. The guide also discusses how to integrate economics at the sixth-grade level using the booklet "Life on Paradise Island" and in courses in Texas state history. A bibliography for teachers is included. (Author/RM)

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GUIDE TO THE INTERGRATION OF SELECTED CONCEPTS OF ECONOMICS INTO THE HISTORY CURRICULUM OF FORT WORTH COUNTRY DAY SCHOOL

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Guide to the Intergration
of Selected Concepts of Economics
into the History Curriculum of
Fort Worth Country Day School

General Thesis

This guide for the intergration of selected economics concepts into the history curriculum stems from two basic assumptions: (a) that is desirable for the students of this school to know something of the language and theories of the science of economics and (b) the language and theories of economics are more understandable, germane , and pertinent in the context of a history curriculum.

Accepting these assumptions to be valid, we have proceeded to identify these economic concepts which appear to be essential to a basic understanding of economics and then proceeded to intergrate them into the extant history courses. The identification of these concepts, however, resulted in a rather complex, albeit, interesting research project.

From the beginning of our efforts, we were convinced that other schools had surely followed the path we purposed. Indeed, we were tantalized by two publications authored by the Cleveland, Ohio Board of Education. Yet, upon further examination, we discovered that they did not meet our needs and were not what we

had anticipated.

Further correspondence with the two largest educational groups concerned with economic education, The Joint Council on Economics Education, and the Social Science Education Consortium, supplied us with a large amount of material but no precedent. Consequently, we deepened our own research. After literally thousands of scanned pages of economic texts, monographs, treatisies, reports, and the advise of all who would reply to letters or telephone calls, we distilled six very general, basic concepts we hope to be introduced and examined in all grade levels, six through twelve. These concepts will be explained and illustrated with examples from the existing history curriculum with due consideration for student maturation and sophistication. In addition to these six very basic concepts, additional collateral concepts will be introduced where the curriculum and student awareness will make them pertinent.

Since we are admittedly biased in favor of the American economic system (can any faculty of any non-secular private school not make this affirmation?) the concepts which we have distilled, and the intergration process, deals more heavily with own "mixed economy." This is not to say that we slight Marx and his kin. We do not. In fact, we have attempted to look

squarely at the faults and virtues of communism and socialism whenever the curriculum opportunity permitted.

The Guide

The teachers guide has been written to deal with two areas, the specific grade level courses, sixth through twelve, and the general subject material, World History (ancient), Middle Ages, American History, and the Modern European History courses. The teacher is expected to follow the recommended suggestions where it is appropriate to the ability and age level of the students. For instance, the Sixth and Nineth grade deal with the same general topic, Classical World History. However, since the ability and maturation levels vary accordingly, it would not be expected that the Sixth Grader could deal with all of the concepts in same manner as could the older student. The teacher's own recognition of the student's intellectual potential should serve to dictate to what degree the concepts will be explored. Yet, and this direction must be followed, all of the concepts will be introduced and discussed in all of the grade levels. In some grade levels, material entirely unique to that grade is taught. Here, of course, the guide will deal with those topics--an example being the Texas History segment taught only in the Sixth Grade.

It is to be hoped that the seven basic concepts of economics, once intergrated into the entire Middle and Upper School history curriculum, will serve not only to inform the student of the nature of the science of economics but to enhance his awareness of the inseparability of economics and history. Further, it is hoped that this intergration will make both areas more understandable, interesting, and provoking.

The Concepts of Economics

(1) The Law of Demand

Nearly all of the sources we consulted considered this basic concept of economics essential to any understanding of the science. In its most elemental form demand is the desire to purchase a certain item at a specified price, place and time, accompanied by the willingness to pay. The Law of Demand states that, all factors being even, people will buy more of an item when the price is low and less when the price rises. While the law seems so apparent as to be absurd, consider the historical implications. The theory holds that demand itself controls price. However, in Athens of 300 B. C., the price of wheat <u>did not</u> fall despite the fact that the price far exceeded what the population could pay. Consequently, the Dictator of Athens was forced to intervene to prevent riots. He actually redistributed

some of the wealth within the city-state with the results that the population was able to purchase the wheat. Following this event, the Law of Demand was able to function properly once again, price was dictated by demand and wheat price stability was restored.

(2) The Law of Supply

This concept of economics is the apparent antithetical of the Law of Demand holding that the number of items offered for sale varies directly with the change in price. It further states that the two reasons for a supply to increase are: (a) producers will increase their yield despite that this might make the productinn cost for each item higher and (b) more producers will be lured into the market. In theory, demand and supply should create a harmony, bring sellers and buyers together at a correct price for both. However, using the historical illustration above we can see it became necessary for the Athenian tyrant of 300 B.C. to subsidize the income of the lower classes in order for the normal function of demand and supply to operate properly.

(3) Private Property

Obviously, this concept is one upon which capitalist and socialist theory diverge. However, it is a concept fundemental

to understanding the dynamics of both economics and history. The consensus of opinion among most western economists and historians appears to be that what is owned is the right to use resources and that this right is circumscribed by civilization. For example, to own land entails the right to till or not to till the land but not to throw soil at passerbys or use it to alter a commonly owned stream. A sound example of the limitations upon private ownership can be found in Texas History. When Texas became a state, it retained the old Spanish water laws which held that a man might fish or water his stock in a stream that flowed from his land but could not alter its course without the government's permission. The Spanish law maintained that the stream was the property of the people, not private property.

Contrary to many socialist theorists, it appears from our research that the economic priciple of private property (private gain) was fundamental to expansion of most of the great civilizations. The concept of communal property is a characteristic of more simple pastoral civilizations and even in these primitive societies, communal ownership held only to common grazing lands. In the Navaho Indian society of the American West, land was commonly owned. However, even in this aboriginal group, sheep, soft and hardwares were considered private property.

(4) The Competitive Marketplace

No concept, not even private property, is more controversial than the free market system. In essence, this system is the final application of supply and demand, free of governmental regulation. In theory, for instance that of Adam Smith, a free market would function nearly flawlessly as demand, then supply determined fair price and fair distribution. Critics argue that the marketplace is not fair and it is heir to periods of depression, inflation and the concomitant ills of unemployment. However, governmental regulation of the marketplace is as old as recorded history. The Code of Hammurabi, written eighteen centuries before Christ, set a maximum wage, housing costs, and even rents. In 301 A. D. a Roman Emperor attempted to regulate the cost of every commodity from poultry to gold and the wage on every occupation from porter to physician.

(5) The Scope of Government

What a role, if any does the government play in satisfactory functioning of an economy? This argument, like the disagreement over the concept of the market place, is unresolved. Adam Smith would argue that the government should have no role whatsoever in the regulation of the economy. Other economists would argue that government has a natural role in controlling the abuses

of the marketplace. Most historians would point the example of Hammurabi in illustrating the antiquity of government control. Free traders might point out that Gracchi reforms in Rome in the first century B. C., an attempt by the government to meddle in economic affairs, led to a change in government. Further, they might illustrate their point by offering the American Revolution as another example of a government's attempt to regulate the marketplace . Despite the arguement, this concept can be examined in depth during many of the history courses. A teacher might offer the three reform presidences of T. R., Wilson, and F. D. R. as examples of government interventions which saved the American system from the experiences of Russia, China, and even England, which failed to reform their economies and, consequently, suffered through economic revolutions.

(6) Money and Inflation

Money, used first in Asia Minor in 800 B. C., is a symbolic substitute for barter. The economic concept of money holds that when money is sound, i.e., not debased, it is an excellent agent in making the marketplace function smoothly. When it is debased or hoarded the results are either inflation or depression. The most common form of debasement is over-abundance of money through

tampering with the metalic base or the extra-issuance of currency.

This condition is terribly familiar throughout history. Perhaps the most graphic example was the Weimar Republic in 1923 or the current American experience.

(7) Collateral Concepts

Most economists feel that the last two centuries have seen conditions develop totally unique to man's past. As a result of the Industrial Revolution new theories and new solutions to man's economic problems have become widely popular. International trade and the intertwining of national economies have created new situations calling for new explanations. From Marx to Keynes to the monetarists, new concepts in economics have appeared and, where possible, they should be examined within the historical context in which they appear.

Teachers Guide for the Intergration
of Selected Economic
Principles
Into the Sixth Grade History Curriculum

Since the Sixth Grade will be the point where we begin our intergration process, special attention must be given to the clear, assimilable, identification of these seven concepts. The first logical point to introduce these principles into the existing curriculum is with the study of Life on Paradise Island. Since this text is designed to introduce general concepts of elementary economics, it is a perfect place to supplement the text's concepts with our own.

(1) The Law of Demand - Fortunately, the first topic that the authors of the text introduce to their readers is, in actuality, the first of our seven;-demand. Although the authors do not label their concepts as such, we shall. Early in the text, Bosko, one of the inhabitants has a surplus (supply beyond subsistence) of pineapples. He has neighbors who have a demand and, thus, trade follows. While the author of the text is more interested in illustrating barter, the teacher can make the example fit our concept. For the sake of clarity, let the class assume that

the demand came first. Bosko's neighbors wanted fresh fruit to eat, thereby creating a demand that Bosko could meet.

(2) The Law of Supply - The second concept can also fit into the Bosko example. Bosko is filling a demand for fresh fruit with his pineapples. Let the teacher put the supposition to the class of Bosko suddenly raising his price per pineapple. What would be the result? Predictably, the demand would fall and he would sell less fruit. Again let the teacher ask the class to speculate on what might occur if Bosko refused to lower his price per unit to a reasonable level. The second concept states that if the demand is consistent and the price offered by the customers is fair, other supplies will be found. In other words, Bosko would find competition from other pineapple sellers who would be willing to trade their pineapples at the reasonable price offered by the buyers.

The teacher can raise the obvious question, if a bright student has not already done so, of what might occur if Bosko had the only pineapple tree on the island. The replies should range from the customers seeking substitutes, to rebellion, to governmential intervention, thereby setting the stage for the introduction of those concepts at a later point.

(3) Private Property - Chapter Three of the text deals fully with this concept and should allow the teacher to expand upon the definition that will be used throughout the history curriculum, namely, to own is limited to that utilization circumscribed by the rules and convenants of society. On Paradise Island each family is allowed to own the plot of land upon which their huts rest. The teacher should raise the question of what might occur if one family suddenly decided to abuse this ownership by establishing a hog farm which threatens the air and the health of their neighbors. Would this action violate the family's ownership of the land and thereby permit society to restrict its use? Local zoning ordinances can be used as an example of current restrictions on the concept of private property.

(4) The Marketplace - Chapters four - eight deal, at least in part, with this very important concept of economics. There is nothing more basic to the rationale of free enterprise than this concept which holds a free marketplace, unemcumbered by governmential meddling, will ultimately stablize demand, supply and price. However, after explaining this concept (every entrepreneur should be allowed in the marketplace to sell his

goods at whatever price he wishes) the teacher should pose the question on what limitations or standards can be rightly placed on the marketplace by government? Can the people demand that all goods offered for sale be safe? Can the employees of the entrepreneur demand that their work will not be terminated if the market is glutted and production thereby reduced? Numerous examples can be drawn from the local situation. Why does the state of Texas fix the amount of oil which can be pumped from privately owned fields? Why does the federal government demand that farmers plant only a certain amount of a particular crop? This discussion will also help lead the class to the next concept, the scope of government.

(5) The Scope of Government - Chapter eleven, entitled "Establishing Representative Government" deals in a most complete fashion with the question of the role of government in an economy. The teacher has a ready-made opportunity to introduce some very basic economic theory. Adam Smith's thesis, the communist theory of total control, and various other views can be considered within the confines of the text under consideration. The teacher can pose the question of if a person should be allowed to produce what he chooses. The class should, hopefully, agree. Then the teacher might suggest that it might be wise if

the government assign various products to various producers, thereby avoiding duplication. Again, the majority of the class should agree. The teacher then might suggest that the government could also fix prices in the name of fairness. The class should then be aware that,at some point, governmental regulations become restrictive and freedom is lost. A healthy discussion should follow as to what point government interferences should be stopped to avoid loss of economic choice.

(6) Money and Inflation - Chapters nine and ten of Paradise Island give a very understandable treatment of money, credit, and inflation. The terms are well defined and the examples interesting. For the purpose of the curriculum, the teacher should direct the student's attention to the definition that money is a symbolic substitute for barter. It, even gold, has no real value except its scarcity. Money must be guaranteed by a respected government and readily redeamable in consumable products. Money is an excellent tool as it makes the marketplace operate smoothly and makes possible long distance trade. Only when it is debased or hoarded will it fail its purpose. Several examples of inflation can be found in the text and, sadly, from the current American crisis.

(7) Collateral Concepts - several interesting economic concepts are introduced in Paradise Island, among them wages and profits, rent, interest, and depreciation, business investments, taxation, and foreign trade. Each of these concepts are of importance and should be explored. However, the teacher should attempt to link these collateral concepts with the basic six where possible. For example, the concepts of wages and profit rest on a clear understanding of demand, supply and the marketplace. When the teacher leads the class into a discussion of wages, he should take the opportunity to refresh the student's understanding of the basic, underlying conceptions.

Texas History

(Sixth Grade Only)

One section of the Sixth Grade History Curriculum, Texas History, offers the teacher an excellent opportunity to illustrate the seven basic concepts under consideration. The settlement of Texas was, almost entirely, an economic enterprise. Moses Austin, followed by his son, Stephen Fuller Austin, received permission from Mexico for the establishment of colonies for the clear-cut purpose of profit. Mexico, anxious to protect her empty domain from Indian deprivations and the greedy hands of the United States, gave Austin the right to collect both taxes and land fees, sending only a small portion on to San Antonio. Austin's extant records show that he was a good businessman, showing a small but growing profit for his efforts. The teacher can easily point out demand at work. Austin's colonists had a demand for land and Austin's carefully advertized prices in the newspapers of the United States offering land cheaper than the American government. His contract with Mexico gave him a supply. Since the demand for land is a very basic one, his colonists were willing to endure the perils of a new land for the opportunity. Austin carefully selected his

colonists, choosing, for the main, family men of substance. His first "Three Hundred" were even willing to become Mexican citizens for the opportunity of purchasing fertile land for cheap prices. After the land had been sold to the colonists--with Mexico reserving certain water rights (thus illustrating the concept of private property)--immediate trade was set-up with the United States to the consternation of some Mexican officials. Yet, this action was not unexpected. The Texans were chiefly cotton growers, although there was considerable corn and cattle raised as well. This supply could only find a demand in the adjoining American territory. Mexico's population centers were a thousand miles to the South, but New Orleans was only a few hundred miles to the North. Moreover, there was little or no demand for the Texas supply in Mexico proper. A fundamental application of the laws of supply and demand show that they will meet at the nearest possible market. Another historical precept indicates that good, warm diplomatic relations often follow on the heels of trade. The teacher might raise the question of what might have followed in Texas History if Austin's supply had been met by a Mexican demand?

The problems that Austin faced with Mexico in the mid 1830's

were largely, economic. First, Mexico was in a stage of domestic turmoil. Each new Mexican government passed new regulations. Some of these regulations concerned immigrants and trade with the United States. Mexico was beginning to fear that further American immigration and trade might be followed by an American land grab--a fear not altogether unfounded. The empty lands of Texas offered a powerful supply to land-hungry Anglos to the North.

Second, in the mid 1830's Mexico began to demand more taxes from the Austin colonies. While the taxes were very modest indeed, they rushed the Texans to war. The Texas Revolution began and ended in the early months of 1836. Santa Anna's army marched into Texas, openly announcing expulsion of settlers and confiscation of lands. His defeat, in almost comic opera fashion, left Texas an independent nation.

In the first years of its existence, Texas was deeply in debt and desperate for annexation by the United States. For purely economic reasons, however, Jackson and Van Buren were unable to grant the favor. They did, however, allow Texas to freely trade with the states as did, later, France and England. By 1845, the trade in cotton and foodstuffs had reached new

heights. Although Houston's party was able to pull Texas into the Union in 1846, there were those Texans who now argued that the Lone Star Republic should continue her independent course. They argued that Texas could prosper more as a nation than a state. Texas cotton, slave grown as was that of the Southern U.S., could reach the European market as cheaply as that to the Americans. The United States,moreover, had a high protective tariff, the result of Eastern pressures, while Texas had none. The teacher can raise this question with the class--if Texas cotton could be produced cheaper than that of the United States (having no tariff to raise production costs) could Texas cotton be sold cheaper to the Europeans? If a supply reaches the marketplace, of comparable quality with its competitors, selling cheaper than its rivals,will the cheaper goods sell more units (bales)? A blackboard example should help the students see the situation. A Texan grows a thousand bales for a total cost of $30,000. A South Carolina plantation grows a thousand bales of cotton for $40,000 due to higher production costs (land, seed, farm equipment, gin fees, etc.). Obviously, the Texan will make the better profit if the English demand if only $5.00 per bale. Moreover, the Texan will sell his supply more quickly. If the English

demand is only for the purchase of sixteen-hundred bales, the South Carolinian might not sell all of his supply. His only recourse would be to lower his unit price, thus engaging the Texan in a price war which the American could not hope to win!

Houston's party, however, saved the day for annexation by employing an economic arguement of their own. They pointed out that the threat of Indian and Mexican attacks limited the potential of Texas' western lands and that the military protection offered by the Americans would make more of this land available. The arguement carried the day and Texas entered the Union in 1846.

As a state Texas continued its growth and prosperity. However, to the sorrow of future generations, Texas was firmly part of the South, joined by a common economy and heritage. When the Civil War came and went, the Texas economy was destroyed totally. During the war the Texas cotton could not reach the European demand as the Union fleet patrolled off Galveston, blocking transportation. Moreover, the Confederate currency, the only legal tender, was soon worthless, based as it was only on vague post-war promises of redemption. Inflation (caused by debasement) rendered it valueless as a symbol of barter.

After the war, the cotton trade did not resume quickly. England and France had found other supplies. Many Texans

searched for another supply. They found it in cattle. Soon a combination of cattle drives and railroads carried the Texas supply of beef to the Northeastern demand. Slowly, as the nineteenth century closed, the cotton demand increased and Texas began to prosper once more. However, the greatest prosperity was yet ahead. In the early 20th century, the great oil supply of Texas was discovered. The American auto craze created an apparently never ending demand. Great wealth followed, particularly after the State government enacted regulations controlling oil production. These regulations, which should be of interest to the class, set the limits on the amount of crude oil which could be pumped daily. The Texas Railroad Commission, a state agency with a strong pro-business attitude, was the regulatory body. Its rules were, at first, resented by the wildcatters (explain the term) but were supported by responsible producers. Why the resentment? The wildcatters wanted to pump the wells dry and sell the crude for whatever price the marketplace would pay. The Law of Supply clearly indicates that as a supply exceeds demand, the price will fall very low. The more farsighted producers wished to keep the price of Texas crude high by controlling its supply to the market. Moreover, they wanted to pump the oil slowly and thereby get more per unit of oil. The teacher might want to illustrate

this point at the blackboard, if a Texas well has the capacity of 200,000 thousand barrels of oil, which is the wiser course: pump the well dry and sell the oil at market-price or sell the oil slowly in the sure and certain knowledge that the price of oil will continue to climb as the world supply is used up. Before the Railroad Commission stepped in, the price of oil had fallen to 10¢ per parrel. Afterwards, it began its steady rise to the current world price of nearly twenty dollars per unit. A most timely discussion should follow as to the role of government in this affair. Clearly, the class will agree that the government was correct and wise in this matter. Does this mean that the concept of the free marketplace has its own limitations?

Guide to the Intergration of
Selected Concepts of Economics
into the Ancient World History
Courses
(Sixth Grade and Upper School)

This guide was designed to supplement the teaching of Ancient World History in both Sixth Grade and Upper School. Obviously, with such a vast range of student ability and maturation, the teachers will be expected to use the guide material in an appropriate manner. Suggestions within the guide for discussions will, quite naturally, differ in the two levels. However, it is expected that the basic concepts listed and explained earlier will be intergrated in the Ancient World History courses and that, at the course's completion the student will have a fuller knowledge of the concepts.

Perhaps no better example exists in Ancient World History of the importance of economics than the formation of the civilizations of Mesopotamia. The Sixth Grade teacher might use the knowledge gained from the study of the fictional Paradise Island in asking the students to explain why communal life began on the fertile crescent. The Upper School teacher might do the same, relying, instead, on the relative maturation

of his students. Doubtlessly, man had existed for ages in tribal units or even small pastoral villages. Why, the question should be posed, was he suddenly willingly able to form permanent settlements in the valley of the Tigris and Euphrates? The answer appears to be surplus. For reasons yet unexplained, man began to produce a surplus of grain (Definition of surplus - that produced beyond the demands of subsistence). This surplus caused three important improvements in the quality of human life. It overcame the need for the nomadic life for the people of the valley, it guaranteed a food supply throughout the year, and, of most importance, it made systematic trade possible. Since the dawn of time, man had, doubtlessly, used some type of rude barter to obtain what he could not grow or kill. However, it was not until the civilizations of the Ancient Near East that trade became a way of life. We know from the records of the Samerian cities of Ur and Lagash (3000 B.C. ca.) that the inhabitants had some interest in elegiac poetry, in religion and, mostly, in trade. Of all the sites recovered at later day Babylon, the great majority of them were warehouses.

The teacher should raise the question of the Law of Demand and Supply and how they might be illustrated by the

example of the grain trade in Mesopotamia. The early settlers of the "land between the rivers" grew a commodity, grain. Somehow, their neighbors developed a demand for this product. Since there was no money as such it would appear that a lively system of barter was employed. Apparently, as the Law of Supply holds, the amount of grain, the number of grain growers, expanded to meet the demand. We might well assume that the neighbors, in order to have goods to barter for the grain, expanded their own activities, perhaps in rude mining efforts, timbering or even trade with even more distant folk! From the extant records we have recovered from the cultures, private ownership developed rapidly. The teacher might very well make the observation that the concept of private ownership seems to crystallize in direct proportion to the society's trade. In primitive socities, communal ownership, particularily of grazing lands, is common. However, as the socities began commercial intercourse with other groups, lands and other properties became the possessions of the more able or aggressive. Although money would not be used for a thousand years, there is some evidence that gold and silver were prized very early and in the later age of the Mesopotamian cultures

goods were even priced in terms of the specific weight of these precious metals.

The famous Code of Hammurabi is often quoted by history texts as an example of a civil and criminal code. What is rarely mentioned is that it also directs itself to trade regulations. In the Code we see the first known effort of a government to fix prices for certain items, wages for certain trades, and even purity regulations for such potables such as wine. The teacher should certainly make the point to the students that thousands of years before Christ, governments began to intervene in the function of the marketplace.

Several opportunities exist for the introduction of collateral concepts in the treatment of the Ancient Near East. For an example, in the creation of the Assyrian and Persian Empires did trade "follow the flag" or precede it? Certainly, one of the most important aspects of the Empire of Darius was his trade within and without his domain which paid for and made possible the splendors of Persepolis where Zoroaster was to have the leisure to ponder the ideas of monthesism. A rich class discussion should rest on the idea that trade made possible by the production of surplus is the lodestone of of all cultural advancement; theology, philosophy, and political theory.

The Aegean civilizations are, in the case of Crete, Troy, and Mycenae, perfect examples of the influence of economics upon history. Some of the earliest artifacts, discovered by Evans and interpreted by Ventris from the so-called Linear B, deal with purely business affairs, tributes and, supply lists.

The principle of demand and supply can be treated with excellent examples from the Minoan culture. The teacher should pose the question of demand and supply of an island people contrasted to those of a landlocked state. Where the demands would be similar, supply would be the problem for the insular nation. Universally, the problem seems to have been met with the same solution, maritime trade. The Minoans, possibly facing a population explosion at some early date in time, found that the demands of the people could not be met with local supplies. The class, studying the map, should see the Minoans could find ready supplies only on the Pelopnnesus and Aegean seaboard. The nearby islands of Thodes, Carpathos, and Thera could not meet the demands of the Minoans as they doubtlessly faced the same problems of adequate supply. Historically, island people take to sea to secure supplies, often with conquest as well as peaceful trade. Perhaps, the Minoans did both but, by 2000 B.C.

they had established a very successful overseas trade.

The teacher should seize the opportunity to point out that maritime trade is, usually, a service offered in place of supply. The inhabitants of Crete lived on a barren island with little natural resources. They could not trade with the mainland in goods so they offered service. This service consisted of moving surplus from one locale to another, in other words,finding a demand to meet a supply. The island of Lesbos was rich in deposits, say, of iron ore. However, they had very poor pastures and their sheep produced an inferior wool. The Greeks tending their flocks near Mycenae had wool of the finest quality but no iron deposits. The Minoan ships brought the supply and demand together, pleasing both parties. For the service, they charged a commission, say, a portion of both cargos. This service, basic to all merchants, is still very much in use today. Most retail outlets are simply a means of joining demand to supply for a fee. More interesting, todays professions; doctors, lawyers and, school teachers offer a service as well. For their skill (which must meet a patient, client, or pupil) they are paid.

Another collateral point that the teacher should raise is the relationship of economics to politics. We know from

archaeological studies and learned suppositions that the Minoans were a highly individualistic people. Also we can see that their trading empire was highly successful as the ruins of the once great city of Knossos reveals a strong taste for elegance. Other records suggest that they had no central government, certainly a factor in their conquest by the Mycenaean Greeks in 1400 B.C. The teacher might explore the idea that nations that develop a viable overseas trade rarely accept a highly centralized government. Perhaps it is in the nature of the trader, facing the perils of the seas and the sights of distant ports, that he remains doggedly independent of will and mind.

The Mycenaean Greek period, lasting roughly two or three centuries, closely parallels the Minoan. During this age, Greeks (if the term fits) reached as far as Sicily and Egypt in search of trade. It is likely that Troy itself may have been a Mycenaean trading post at one time, the evidence suggesting that the Trojans were much closer related to Myceneae than to the hinterland of Asia Minor.

From 1100 B.C. until around 800 B.C. Greek civilization lapsed into a dark age following the Dorain invasion. Certainly, little is known of the period. Somewhere near 800 B.C. two events

occured which would be of great economic significance for the Greeks. The first was a population increase among the Greeks which in turn created a demand far beyond local supply. Situated in a region where it is easier to travel by water than by land and with the maritime tradition of Crete and Mycenae, they turned naturally to the sea. The sea served two purposes, they could send their surplus population to other shores to colonize regions where there was still ample farm land--Thrace, the coasts of the Black Sea, Sicily, and Southern Italy. Also, the Greeks could trade with other settled communities.

The other event of economic significance was the use of money. Some historians cite Lydia in Asia Minor as the focus of this new devise yet the Greeks used the new system with great success. The teacher should stop and comment fully on this important economic tool. He should point out that money is a symbol of barter. Prior to the use of money, goods had to be transported for the purpose of unit to unit trade. Later, when gold and silver were used, they proved too bulky for every-day transactions; testing, weighing and cutting silver or gold bars was simply too tedious. Now the Greeks discovered that the

metal could be cut into bits and made ready long before actual business transactions took place. Small pieces of metal were stamped to show that the local government guaranteed their weight and fineness, and the coins could be used over and over for any sort of business. Moreover, as the teacher should point out, it allowed those who understood money to profit from those who did not.

The rebirth of Greek trade in the eighth century B.C. spread Hellenistic culture from the Bosphorus to Gaul, from Sicily to the Nile. Yet, it had an unpleasant effect as well. In most of Greece, the crops in surplus (hence the supply) were grapes and olive oil. Since only the wealthiest land-owner could afford the long and costly process of nurturing slow growing vines and trees to maturity, the landless farmer found himself slowly drawn into first, employment, then debt. Soon, Greece had a large and growing debtor class, restive and seeking relief. Many found that they had no future other than serfdom to large land-owning class which grew the supply and sold it to the newly emerging merchant class.

The teacher might briefly ask the class what they would think would occur in a society where wealth is concentrated

in the hands of a few. Then the question might be presented as to what remedies does modern America have for the situation? Income and inheritance taxes? Federal loans to beginning businessmen?

The Greek reaction to a maldistribution of wealth within the city-states was the fortunate establishment of a primitive, but workable democracy. The debtor class allied itself with the merchant class and forced the land-owners into a series of concessions. Later, many of the city-states turned to strong-man rule. These tyrants, dictators, attempted to appease the population with varying success. In Athens, beginning with the partially successful efforts of Solon, followed by those of Pisistratus, Cleisthenes, and Pericles, the Athenian economy expanded its oil and wine production with silver and pottery. Unemployment dropped and slaves and free workers (resident aliens-Metrics) were imported to fill the demand for labor. Athens and the Athenian economy marched into its golden age.

Yet, not all of the Greek cities prospered. Sparta, contrary to Athens, refused to expand her economy. Edicts restricted imports and exports. Supply and demand were checked and not allowed to grow. While Athens traded with the known

world and Athenian coins found acceptance in every port, Sparta refused to use any other currency than her cumbersome iron bars. Sparta, a regimented, fearful, and militaristic society slowly declined as Athens became Greece to the world.

Like the Hellenistic world, the study of the rise of Rome is a study of economic expansion. Like the early Aegean civilizations, Rome had valuable geographic assets. Its climate was Mediterranean and its proximity to the sea allowed it, like Crete, to offer the service of trade to meet demands of its population. There can be little doubt that Rome's mysterious predecessors, the Etruscans, were deeply involved in trade. Many historians seriously consider that they were colonists from one of the trading nations of Asia Minor who established themselves on the Italian peninsula.

Between 800 B. C. and 700 B.C., in the same period when Greek commercial activities reached a peak, the Etruscans became dominate in central Italy and conquered the rude peasants living along the Tiber. Under the domination of these soldier-traders, the latin inhabitants adopted many of the modes of their masters, including the Etruscan concept of international trade. When in 509 B. C. the Romans expelled their last Etruscan king, they were dependent on commerce.

While Rome had fertile land, particularly the Latium plain which stretched from the sea to Apennines, it found itself needing more and more territory to fill the growing demand of her land-hungry plebeians. It is clear that the early Republican military conquests against the mountain tribes on the Peninsula and the nearest Gauls were motivated chiefly by economic reasons. Rome, as the teacher should note, dealt with the problem of demand by seizing supplies from her neighbors, in addition, of course, to her world trade. It might be suggested that Rome's longevity was, at least in part, her ability to avert domestic revolt by continuing to meet domestic demand with captive and trade supply. However, as shall be noted, this policy did not always function properly and the future rulers of Rome would be forced to take other measures.

The Punic Wars are a perfect example of a struggle forced by economics. Carthage was ruled by a commercial oligarchy which controlled the trade along the North African coast, portions of Spain, and the western part of Sicily. The natural clash between the rising commerce of Rome and the established trading power of Carthage was purely over markets. The wars, flowing one way and then other, resulted in a total victory for Rome.

Carthage utterly disappeared after an impassioned speech by the Roman Cato before the Senate when he bandished a magnificant cluster of North African figs before his colleagues to convince them of Carthage's trade threat. The Senate took his "delend est Carthago" literally and Carthage was plowed under and her fields sowed with salt. The students should be remirded that history teaches a clear lesson: nations, like men, will use whatever force is required to meet the pressures of demand and supply.

After the fall of her economic enemy, the Roman Republic stood at the height of her glory. Yet, already, internal economic problems were growing. The Roman demand for grain now required constant imports as the soil of the peninsula was rapidly being exhausted. Moreover, Rome had developed a new class, the agricultural capitalist called the Latifundia. These very rich Romans had slowly built up great holdings and great surpluses of wealth. As their holdings grew, the displaced peasants flocked to the city where they posed a threat to the stability of the government. The so-called Gracchi reforms of 120 B.C. attempted to correct the situation with mixed results. Shortly afterwards, the Gracchi brothers and supporters were killed by

a resentful Senate and most of their attempts to redistribute land and wealth were undone. In the next era, Rome moved towards Caesarism and the empire. During the next five centuries, however, each government of Rome was forced to once again with the economic problem of maldistribution of supply and a rising demand among the population. The first Caesar attempted a wide-scale scheme of regulated prices which set bread at an affordable price, a policy which the government of Rome was to continue during the life of the empire. He also used public works, a plan where the landless worked on roads, canals, etc., receiving compensation from the state which could be used to satisfy their demands. These plans, like those of the Gracchi reforms, were an example of the government entering into the economic picture to expand the supply to meet basic needs. The class should be asked to comment on the short and long range consequences of such an action.

The first two centuries of the Roman Empire was a period of great prosperity. Regardless of the ability, or lack of the same, of the Roman Emperors, trade was untrammelled and flourished. Despite the proclivities of the Court, trade was almost unrestricted. There was a sustained demand in Rome for food and luxury goods which kept the merchants wealthy and contented. Yet, the

profits were unequally distributed. Like the Hellenistic world, Rome displayed striking contrasts between the wealth of the few and the poverty of the many. The ruins of Pompeii show us that the upper middle class lived in comfort. The peasant huts and the tenements of the city had no such amenities. To meet the demand of the poor and jobless, the dole was distributed. One author believes that even at the height of the Empire, half the citizens of Rome were receiving free bread from the state.

The last three centuries of the Empire saw a slow but sure decline in world trade. After a series of civil wars, plagues, and frontier wars, Rome's latin population began to fall and the demand decreased. Since the second century A.D. the Empire had been experiencing inflation, caused chiefly by debasement of the coinage. The teacher should question the class about this concept. Based on past discussions, including the excellent treatment in Paradise Island, the questions of cause, effect and correction should find some response. In 301 A.D. the Roman Emperor Diocletian attempted to correct the situation by stopping the debasement and issuing one of the most detailed economic edicts in history. He fixed the price and wage for almost every activity in Rome. However, the enforcement was irratic and the prices for goods doubted in his tenure.

The fall of Rome has many explanations. One must, however, be economics. During its youth and maturity, Rome's population created a consistent demand which was met by conquest and trade. The government, generally, allowed trade to continue without restriction. In its decline, Rome's population was reduced, demand fell and inflation ensued. The concentration of wealth in the hands of the Latifundia and the consequent reduction of the independent farmers to serfs or unemployed inhabitants of a city undercut Roman prosperity. The result was the inadequate purchasing power of the masses, compounded by uncontrollable inflation, which impoverished the economy and sapped public morals. By the dawn of the Christian age, the glory of Rome was but a dream.

Suggestions for Reviewing the
Basic Economic Concepts Studied
in the Ancient World History Course

1. The teacher is responsible that the concepts studied become part of the material included on the exams, writing assignments, and reviews.
2. Each of the six basic concepts and many of the collateral should be identified by examples.

3. Before the student has successfully completed the Ancient World History course, the teacher should be satisfied that he understands each of the concepts introduced and presented.

Guide to the Intergration of
Selected Concepts of Economics
into the Middle Ages History
Course

This guide was designed to supplement the teaching of Middle Ages History in Upper School. Because the students enrolled will have been introduced to the basic elements of the concepts, the teacher should find that both learning and class response should have improved.

In many ways this particular period, from the fall of Rome to the Thirty Years War poses great difficulty in illustrating the concepts which we identified and offered during the previous study of classical history. One of the reasons for this difficulty, as it is well known to the teacher, is that the early period from 500-1000 A.D. is still shrouded in mystery. For the purposes of economic history, it is a step backwards in time. From the Roman concept of one world of Law, administration, and trade, the world shattered into hundreds, indeed thousands, of small local units.

The first of these units, the manor, can be used to illustrate several of the economic concepts. The manor was largely a self-sufficient farm community. Consequently, all of the

demands of the inhabitants were met by supply from the community. Although trade did not die out completely in the early Middle Ages, it, like the towns and remaining cities, diminished in importance. Those on the manor lived in a socio-economic unit. The tenants were the farmers and herdsmen who worked on the manor's land. They usually had homesteads of their own, grouped in villages, and plots of land to cultivate for food. They were usually required to share a portion of their crop with the lord of the manor as well as give him free labor on his lands. Hence, the lord received both free labor and free produce. The teacher might point out that, in order to meet their demands for the very basic needs, the tenants had to offer service to the lord. Since the service was paid only with the lord's permission to continue to work the lord's land and to continue to share with him the small crops raised privately, the tenant's lot was not pleasant. As conditions prevented any surplus to be accumulated by the tenant, trade was rare or impossible. Trade, however, did exist between the various manor lords. Since the size and productivity of the manors varied greatly, there were, of course, surpluses and deficiencies--that is to say, demand and supply--which

did give the motives for trade with outsiders. Yet, in the sense that trade was used in the great days of Rome or Athens, it barely existed in Europe in the Early Middle Ages.

A curious example of private ownership can be found in both the manor and the fief of feudal Europe. The teacher will wish to point out that the lord of the manor rarely owned his manor, or manors, in the modern sense of the term. In fact, he was himself a tenant. Some other lord allowed to hold and use the manor on certain military and political conditions. In effect, this system produced the so called feudal pyramid in which--at least according to the theory--only the King owned land; all vassals, so to speak, "leased" their fiefs either directly or indirectly from the king. Again, according to theory, the king or his henchmen could break the lease and take the land if the contract was not observed.

The Age of Charlemagne saw a brief revival of trade within his kingdom and without. Yet, the point is all too clear. Despite his efforts, the First Holy Roman Empire accomplished little in regards to a revival of viable trade. With the death of Charlemagne, feudalism became more fully entrenched in Europe.

The growth of the monarchy in the Medieval West, from a period of about 1000-1300, is also a difficult period to examine economic influences. However, in the same sense that the kings slowly became dominant in their lands, we can see several examples of the concepts at work. In France, the Capets, from Hugh to Phillip the Fair, greatly improved the organization of their kingdom by copying the efficiently run Duchy of Normandy. Using a vastly improved system of justice and taxation, the Capets grew steadily richer. As the safety of the roads improved, trade within the Capet land improved. In addition, the Capetians established new towns and made a long lasting alliance with the newly emerging middle classes. The establishment of the Capetian Parliment de Paris, the Curia regis, and the chambre des comptes were all the effect of the growing power and money of the kings of France.

One of the most interesting episodes during this period concerns economics. Phillip the Fair, during the fourteenth century, discovered that his efforts to consoladate France were blocked by two problems, one the Church's opposition and two, his lack of money. He settled the first problem by establishing the Avignon papacy and the second by seizing

the holdings of the Knights Templars. This organization, as a result of the Crusades, had become a banking house. The teacher should, at this point, stop and explain in full the economic effects of the crusade period.

The coming and going of knights, priests, and pilgrims, during and following the various crusades created a new demand in Europe. Such foods as sugar, saffron, rice, melons, apricots, shallots, and many others were reintroduced into Europe. These new products were then demanded in European markets and importation followed, particularly through the port cities of Venice and Genoa which grew rich by means of service (maritime trade). The cities of Flanders could now export their woolens with the East in exchange for these items. Letters of credit and bills of exchange were needed and Italian banking houses appeared. The Knights Templars also established a banking system which was later to be the target of Phillip the Fair.

Midieval economic thought has long been admired by modern intellectuals in revolt against what they regard as our crassly competitive business life. The shoemaker was assigned a place in life by God's plan, he, consequently, sold his shoes at a "just"price, independent of the current supply and demand.

Moreover, the local guilds set prices and standards and controlled the admission of new workers and masters into the trade. Since there was no fluid supply of money or credit, capitalism was virtually impossible. Medieval theory--see Aquinas--even frowned on the principle of interest seeing it as usury. However, despite this somewhat idealistic picture, the law of supply and demand did not cease to function. Jews, not subject to Christian prohibitions, became money-lenders in many areas of Europe. The Italian city-states as early as the fourteenth century developed banking and other modern financial methods.

The Renaissance, a time and place chiefly in the city-states of Italy, is rarely considered in economic terms. However, the teacher will, doubtlessly, wish to point out that the Renaissance was made possible by the money economy of the Italian banking and trading houses--another legacy of the crusades and the ensuing trade. The teacher might wish to pose to the class that art is another service offered in the marketplace. Its demand, however, is not consistent. First, the hard, mean life of the peasant, or the tenant on the manor, left little time for the production of or the appreciation of art. Surplus must exist if art is to flourish. The artist must offer

to the marketplace a supply which has a demand. The first great works of Florence, Venice, Genoa, and Rome were religious--doubtlessly meeting a demand approved by the Church for spiritual edification. The secular works were offered much later as the taste, demand, became more secular. The Law of supply states that as the demand increases, the supply will do so accordingly. This was the case in sixteenth century Italy. Art became commercialized with actual factories going into production. The teacher should, however, make the point clear that this rebirth of learning followed the rebirth of trade and the new capitalism that was developing in Italy.

The Reformation is so intertwined in economics that Marx called it the first economic revolution. While he doubtlessly overstated the case, it is clear that many of the followers of Luther, Clavin and Zwingli did join the movement for purely economic reasons.

One of the complaints that Luther initially offered was the sell of indulgences by a ecclesiastical fund-raiser named Tetzel. Luther's patron and protector, Frederick the Wise of Saxony was equally anxious to stop the flow of German money to Rome and, moreover, to seize the Catholic properties in his

domain. Soon, both the Knights (1552) and even the Peasants (1524-25) struck out against the establishment and the existing economic system. Luther's conservative reaction to both of these uprisings endeared him to the local rulers and his religion became the state religion of most of the principal countries of northern Germany and Scandinavia.

Perhaps the single most important point that the teacher will wish to make in this particular study is the relationship of protestantism to capitalism. Luther, Zwingli, and particularly, Calvin, changed the very nature of European economics by theological means.

Capitalism is the produced means of further production. That is, men wealthy enough to have sufficient means to "plough back" some of their profits to further improve or expand their business, usually by reducing the unit cost of the items they made or sold. This process usually requires that the businessman work very hard at making money, particularily at the owner or manager level.

Protestantism, especially its Calvinist form, encouraged this sort of life. It encouraged hard work. The devil lies in wait for idle hands. Work keeps a man from temptation. A

society with many Calvinists tended to produce much, to consume solidly but without waste. Therefore, in the terms of the concepts we have introduced, the Calvinists were the most able in the marketplace. They accumulated the kind of surplus we call capital, which they could invest in the methods of production that have so enriched the West. All work and little play made the Calvinist society an economically prosperous one.

The Scots, the Dutch, the Swiss, and the Yankees of New England--all markedly Calvinistic peoples--have long had the reputation for thrift and business acumen. These Calvinists rejected the Medieval economic thought of a just price or even of usury. The marketplace was God's creation and he would take care of his own!

It would be both an economic and historical mistake to credit (blame?) Calvin for capitalism. Certainly other factors were at work. Catholics proved to be capitalists as well as Calvinists. Yet, the so called "Protestant ethic" was a major step in the development of the modern European economy. Despite its many critics, capitalism did help produce the free enterprise system, freedom for science and invention, relatively orderly and law-abiding societies and continued economic growth.

Guide for the Intergration of Selected Concepts of Economics into the Seventh Grade History Curriculum

Since the Seventh Grade class of 1979 will not have been introduced to the principles prior to their American History course, it will be necessary for the teacher to review those concepts as explained earlier. It is of the highest priority that they understand the identification and explanation of these concepts before the teacher proceeds into the historical material.

Guide to the Intergration of
Selected Concepts of Economics
into the American History Courses
(Seventh, Eight, and Upper School)

This guide was designed to supplement the teaching of American History in both the Middle and Upper School. Obviously, with such a wide range of student ability and maturation, the teachers will be expected to used the guide material in an appropriate manner. Suggestions within the guide for class discussions will, naturally, differ in the two levels. However, it is expected that the basic concepts listed and explained earlier will be intergrated in the American History courses and that, at the course's completion, the student will have a fuller knowledge of the various concepts.

There can be no better example of the importance of economics in history than an explanation of the settle ment of the United States and most of the New World. The condition in Europe in the seventeenth century was that most of the available land, certainly all of the cheap land, was under plow and fence. A demand for land (and all that entails including home, hearth, surplus, economic growth, etc.) could not be met. Although

the Great plague killed off a fourth of Western Europe and paralized the economies of the West, although the religious wars had left Northern Germany a wasteland, the supply could not meet the demand. Consequently, when word reached Europe of the abundance of newly discovered open land in the New World there was immediate interest. In Spain, recently consolidated under the House of Castile, there was a surplus of footloose men anxious to plunder the riches of the new lands. Portugal, more of a maritime power than Spain and thereby more (like early Greece and Rome) in need of additional markets, was likewise interested in sending representatives abroad. Wealthy France, whose growing population was largely supplied by her domestic agricultural abundance, was less interested but still, curious. Nowhere was the demand for additional land as great as England. The teacher should use the opportunity to review the class on the economic situation in Great Britain in the seventeenth century. First, England was forced to import grain to feed her population. In order to buy grain she had to offer money or trade goods. The English, like so many other island people, offered the service of maritime in order to earn the money to buy grain. The maritime trade system works something like a modern merchant. The traders

buy cheap where there is a surplus (the law of supply) and transport the commodity to a location where there is a demand (the law of demand). In the process they make a profit. The maritime nations must constantly seek new markets, both to sell and to buy. Moreover, the English faced competition from both the Dutch, the French and the traders of Portugal.

The second faction in the English economic picture was the growing pressure from the population for new lands. England, an island, had less land and more population per ratio than any state in Europe. Consequently, the demand and supply problems were increasing. As early as the first decade of the seventeenth century England was facing the beginning of urban problems as the landless flocked into the cities.

The answer to England's growing economic plight seemed to be the New World. This land promised to hold both new markets and land for the surplus population. Moreover, the British economy was slowly growing towards the point where a concept like merchantilism would soon be necessary to insure a consistent demand for the growing English supply of manufactured goods.

The colonization pattern of the New World offers the teacher an example of the various types of demands experienced by the mother nations. Spain, relatively underpopulated in the seventeenth century, seemed chiefly interested in the precious metals

of Central and South America. Portugal wanted a market and established a successful colony in Brazil. France established a profitable fur trade with the North American Indians. England, and to a lesser extent, Holland, wanted to establish colonies in the New World which would be lasting and dependent on the mother country.

Jamestown was such an attempt. Its founders, private investors, visualized an English community whose product would enrich the parent company. The newly realized the demand for tobacco later made the plan feasible, although the process was far slower than had been expected. The New England colonies, generally considered religious, as equally an economic experiment as they were godly. The Puritans were businessmen as well as farmers and by the close of the seventeenth century there was a profitable trade between New England and the British ports. By the early eighteenth century, New England had established an equally profitable, albeit illegal, trade with the European colonies of the West Indies.

As the American population grew along the Atlantic seaboard, its demand for English finished goods grew as well. The demand fit perfectly into England's awakening industrial Revolution. Until the mid 1700's, England had placed few <u>enforced</u> trade

regulations on her American colonies. However, as the trade between the colonies and the motherland grew more profitable, the English attempted to enforce their long moribund maritime regulations which required American goods to go exclusively into the British marketplace. This governmental intervention incensed American free traders from Boston to Charlestown, giving them a commonality they had long ignored.

After the successful conclusion of the French and Indian War, the British war debt and a growing concern for the Americans' continual disregard for trade regulations led to a terribly botched effort to enforce the laws in Boston and other cities. The American leadership, from Hancock to Washington, was deeply involved in some form of trade or land speculation. These leaders, assisted by a handful of radicals like Paine, Adams, and Jefferson, pushed the colonies into a civil war. The teacher should take this opportunity to point out that the American leadership was, almost to a man, composed of businessmen. Although the exception exists, the movers of the Revolution were men of substance and wealth. The Declaration of Independence speaks of their economic hardships at the hand of the king. As Jefferson ended the document, he pledged not only his sacred honor to the struggle but his fortune as well!

Both during and after the Revolution, the Americans went through a fitful period of inflation, accompanied by an alarming rise in the price of finished goods. Like other fiat currencies, the colonial monies were based on nothing but post-war redeemption promises and soon had lost all of their purchasing power. The teacher should pause to discuss this concept, its cause, effects and its remedies. In this incidence, the cause was that the paper money of the Continental Congress and the thirteen states was not based on gold or silver but only the promises of the dubious governments involved. The students should be reminded of the definition of money; a symbolic use of barter which must have the confidence of the buyer and seller. If confidence is lacking, the money will slowly lose its value and inflation--the decreasing value of money--will ensue.

The effects of post-war inflation in America resulted in many nasty situations. In the 1780's several colonies refused to redeem their own paper money issued during the war. Two armed insurrections took place, one in western Massachusetts and the other in Rhode Island. The former leaders of the Revolution, deeply concerned over the drift of the central government, met in Philadelphia to rewrite the Articles of Confederation.

Their final product, according to historian Charles Beard, had a most apparent economic tone. One of the first actions of the new congress meeting under the new constitution was to deal with the fiscal health of the United States. Hamilton's fiscal policy, which caused some much consternation within the Jefferson faction, contributed to the formation of the two party system in the United States.

As the class discusses each of the Hamiltonian proposals, the teacher should point out as many of the basic and collateral concepts as possible. For instance, Hamilton's plan to redeem the old Continental bonds at par value with new federal bonds allows the teacher to ask the class about the attractivness, or lack of the same, in governmental securities. Why do Americans lend their money to the government? How do they lend their money to the government? Why does the government pay such a low interest, currently five percent? (It might do well for the Middle School teacher to take chalk in hand to show the class what is interest and how does it operate.) This concept of governmental lending and borrowing is of great importance to both economics and history.

With this concept fully explained, the teacher should remind the class that many of the holders of the old bonds in 1788

were speculators who had purchased the bonds at far below face value, most a penny on the dollar! To redeem them at face value was to insure the holders of huge profits. Jefferson was opposed to the plan and pointed out that many bond holders were Hamilton's political friends.

Another Hamilton plan which can be explored by the class was his plan for a Bank of the United States modeled somewhat on the Bank of England. The Bank was intended to have semi-government powers but also to have private stock holders. The teacher can indicate the B.U.S. as a perfect example of the government entering into the marketplace, in this case, the business of banking. A fruitful discussion might center on the advantages and disadvantages of governmental regulation in banking. A point should be raised that the banking industry has little quarrel with the current state and federal agencies operating today. Indeed some critics of the current system point out that the modern government regulations tend to keep out new competition by requiring prospective bankers to produce substantial capital and a demonstrative community need before they are permitted to enter the banking marketplace. Established bankers quietly applaud.

The post-Washington era of the Federalist period is ripe with examples of the selected concepts. Adams angered Hamilton and his supporters by refusing to go to war with France who was waging an undeclared naval war on American maritime trade. This war damaged the New England states who relied heavily on the selling of American goods in foreign ports. The United States, in the last years of the eighteenth century, chiefly exported raw materials to the factories of Europe and forced considerable competition from other emerging nations within the British and French colonial systems. Later, Jefferson attempted to correct the situation by placing a total embargo on American goods bound for Europe in hopes it would force the Old World to respect our flag. He terribly misjudged the nature of the marketplace. Europe simply turned to other sources of supply and the American economy, especially in New England, suffered greatly. Economics clearly teaches the painful lesson that unless the supply is singular, like Middle East oil, the demand will always seek out other supplies. Embargoes can cause temporary problems in the marketplace but they rarely are successful. Demand, consistent demand, will create supply. Europe was a marketplace for Carolina tobacco. When Jefferson

stopped the supply, the British turned to Cuba and purchased the product from Spain, giving that native industry a boost which lasted to the present day. Poor New England suffered the greatest effect. The growers in Carolina, facing the embargo, simply smuggled their crops to New Orleans where it was purchased at a high price for sell in France and Spain.

Jefferson's greatest achievement, the Louisiana Purchase, was the result of economic pressure. New Orleans was the trade outlet for the upper and lower Mississippi valley and other points north and west. The city was the marketplace to the world for many Americans. When the Bonaparte Government threatened to close the city to American traffic, Jefferson took an unprecedented action and purchased the entire territory, an action highly unexpected by an American president who declared that the president had no power not specified by the Constitution. The purchase pleased most Americans save those unhappy New Englanders who saw the city as an economic rival to their Atlantic gateway.

The War of 1812 was a popular if not a conclusive affair. The teacher should point out one very significant development. During the Embargo and the war, Atlantic trade stalled. The

American demand had to be met with an increased American supply, which occured. Manufacturing in the Eastern states increased and the same goods once sought abroad were now furnished domestically. Yet,and the teacher must make this point, this relationship was strictly regional. The American East, later the American West (the Erie Canal, then rails tied the economy of the Northwest territory to the East), grew steadily independent of the European market. The Old South did not. On the eve of the Civil War, Charlestown had more commerce with Bristol than she did with Boston. Again the historical point should be made, where goes trade goes closer diplomatic and social ties. This point will be made clearer after Fort Sumpter in 1861!

The Administration of Jackson is filled with many examples of economics and history. Two of the most colorful, and for us the most significant, are the bank and tariff struggles.

Jackson was not a simple man. Like Lyndon Johnson he personified an outsider, a westerner, at odds with the eastern economic establishment. Although he represents the quintessent democrat to some liberal historians, most agree that his struggle with the B.U.S. was mostly that of the entrepreneur from Nashville attempting to shift economic power westward.

Since Hamilton's day the B.U.S. had had a death-hold on the banking industry. The B.U.S. controlled the currency and, except for a short-lived panic after the War of 1812, had prevented any large scale economic upheaval. It had, however, also grown aristocratic and monopolistic. In the mid-1830's western bankers (read any point east of Philadelphia) were growing restive. In the Mississippi valley, a supply of land (much of it owned by banker-speculators) sought a demand. As the teacher has indicated, and should once more, a consistent supply will find a demand. Westward bound immigration in the 1830's furnished the demand with one small problem. The buyers wanted credit. The western banks agreed to sell on credit or in exchange for any of the suspect paper currency then in use in the west. Much of this paper currency was bank-stock, that is money actually printed by and guaranteed by the bank's assets. The practice was illegal but widespread. The B.U.S. frowned on the banking practice and took action to correct the measure, making most westerners unhappy.

Prior to the election of 1832 Jackson vetoed the rechartering Act of the B.U.S. and added insult to injury by removing federal monies from the B.U.S. and depositing it in more friendly vaults. The East screamed but the public approved

and returned Jackson to office. The B.U.S. was through but its warning about the condition of some western banks proved correct. Shortly before leaving office, Jackson, now growing fearful of the land-credit situation, issued orders (the Specie Circular of 1836) that future government lands would have to be purchased in gold or silver. This shock sent the price of land downward and left the western banks with countless defaulters. Many banks folded and the economy of the entire area was shaken. The Panic of 1836 followed and Van Buren, Jackson's handpicked successor, paid the fiddler.

It would behoove the teacher to stop and clarify certain economic terms. First, by panic, the economist and historian imply that persons act irrationally, in haste, in fear, of economic news. As they act, selling stocks at a lower price than which they purchased them, by removing bank deposits, the entire economy is effected. A good example should help clarify the term. A man reads in the paper that stock X is worthless and the company which issued it is near collapse. He then tells his stock broker to sell the stock at any price. The news spreads. Other investors follow suit. The same man races to the bank and demands his deposits. The banker cannot

return the money as he has lent the deposit to company X. The man has lost his deposit, the bank, unable to find additional deposits folds and panic spreads wider. No one will part with his remaining money as he fears he will not find future employment. The demand slows, the price of the supply drops, unemployment spreads and the net effect will be economic collapse lasting from months to years. Fortunately for the United States, the great natural resources of the continent soon saw the Panic of 1836 easing and the return of business confidence.

The second struggle of the Jackson Administration is also purely economic. The South, led by Jackson's Vice-President and soon to be arch enemy, Calhoun, had turned away from the idea of a protective tariff in the early 1830's. The protective tariff, long the darling of the eastern manufactures, had no beneficial effects for the South. The fact that it had very little affect was of no importance. Calhoun saw the federal tariff as an infringement on the rights of the states and an economic impediment as well. (At this point, the teacher should make sure the class understands the term in question and that it does have the effect of increasing the cost of

goods to the consumer. The tariff is another example of the government involvement in the free marketplace and is the device that Adam Smith railed against.) Calhoun pointed out that the South bought large quantities of European goods and, in fact, were dependent on them. Quite naturally, Southerners paid the price of the tariff. Many historians today suspect that much of Calhoun's arguement was pure bombast, the South did trade with England and did pay higher costs. However, the main consumer consumption of the South was locally produced, only the planters having large commerce in European fineries and import items.

The upshot of the economic quarrel was that South Carolina threatened disobedience, Jackson threatened force and the South reluctantly paid the tariff. However, the struggle does lead the student to the awareness that the growing cleavage between the North and South had deep economic causes which soon would grow more apparent in the slavery question.

The 1840's and 50's, apart from the slavery question, are an interesting study of economic growth. American territorial conquests pushed the flag to the Pacific. The California gold strike and the ensuing economic growth in the Northeast created

considerable wealth, yet in no way comparable to the great fortunes which follow in the railroad era of the 1870's and 80's. In the South cotton fields moved ever inland as the soil was exhausted on the seaboard. The cotton mills of England and France, newly mechanized by the Industrial Revolution, created a consistent demand for Southern cotton. The supply grew accordingly and the price dropped in the late 1850's, allowing the Manchester mills to stockpile huge quantities of Dixie cotton. This stockpile was later to deal a cruel blow to Jefferson Davis' political hopes during the Civil War. (The teacher should not miss the opportunity to illustrate the concept of demand's effect upon supply, a lowered price as more and more producers enter the marketplace.)

In the North, particularly Pennsylvania, local coal deposits and abundant immigrant labor allowed the successful establishment of an iron industry. Although most of their product was still sold abroad, the ironmasters of Pennsylvania demanded a high protective tariff to protect their domestic marketplace. The recession in the 1850's heightened their demands. The Whig party, the party of business, was moribund. The ironmasters turned to a new party, a strange hybrid of Free

Soilers, Anti-Masons, Barnburners, Northern Whigs and Democrats, calling itself the Republicans. A small faction of the party was made up of rabid Abolitionists whose thunder belied their numbers. The Republicans promptly nominated Fremont and issued a call for restrictions on the growth of slavery and for high protective tariffs, a strange combination of morality and economics. While the Democratic candidate Buchanan managed to win by the skin of his teeth, it was clear to the South that soon an anti-slavery president would sit in the White House.

The major question facing the United States between 1820 and 1861 was slavery, its morality, and its economics. Despite the fact that the supporters of slavery and the supporters of abolition have filled history with reams of rhetoric on the morals of the issue, its chief sticking point for both the North and South was economic. First, the institution of slavery was not widely condemned as morally improper. The American Abolitionist movement, always a tiny, vocal minority, did not become organized until the mid 1830's. Prior to that movement, the only organization which offered a sustained protest against the institution was the British Anti-Slavery League

and the followers of Foxx, the Friends. While the Britishers were successful in stopping the large portion of the slave traffic in the early nineteenth century, the Quakers had little effect in this country.

The agricultural wealth of the South was almost exclusively in cotton production (there was some sugar cane produced in the lower South, however). Slave labor was essential to a low production cost. Despite the earlier claims of historians, recent research has clearly shown that slave labor made possible the success of Southern cotton on the European market. The teacher should make this point: slavery worked! It kept the overhead low (explain this term--overhead equals the total production cost) and thereby kept the Southern cotton competitive in the marketplace. The plantation owner actually had only one cost, land. Since the South had an abundance of land yet to be planted it is clear that slavery would not be voluntarily abolished.

It was curious that the local attitude towards slavery largely depended on the local dependency on slavery. Abolitionism found some support in New England which grew no cotton or sugar cane. It found support in those states of the Old

Northwest territory which grew no cotton or sugar cane. It had virtually no support in the cotton belt. It appears that the ownership of slaves had little to do with the individual's attitude. Poor farmers in the South, unable to purchase or rent slaves, were as adamant in their defense of the institution as the largest plantation grower. In those areas of the South where geography prevented the growing of cotton, like Western Virginia, Eastern Tennessee and Northwest Georgia, the inhabitants were far less willing to defend slavery than their fellows in the cotton belts. The North also had the same condition. The Southern counties of Indiana and Illinois, economically sympathic to the South, were pro-Confederate during the Civil War, as was, for that matter, Southeast Missouri.

While the teacher cannot neglect the other causes of the Civil War such as genuine moral indignation, states rights, lack of communication, poor leadership and political stupidity, he must stress the economic factors. The South truly believed that slavery was morally correct (wrong!) and was economically necessary (right!). The slave was unpaid labor, eating home-grown food, wearing home-grown clothing and reproducing at regular intervals.

The lesson of history is that economic issues are always hotly contested. The North disapproved of slavery and received no economic benefit from it. The South defended the institution and received a great economic benefit from it. They settled the issue only after a long and bloody Civil War.

Suggestions for Reviewing the Basic Economic Concepts studied in the First American History Course

1. Each of the concepts should be illustrated where possible from examples drawn from the course content.
2. Additional concepts may well be introduced in class discussion. Be alert and willing to discuss each. Was slavery an example of free enterprise? Was the North's attitude based on moral repugnance or economic indifference?
3. Make the point when possible, history and economics are so closely intertwined that it is impossible to know one well and not the other.
4. These concepts must be included in the test materials, writing assignments, and reviews.

Guide for the Intergration of Selected Concepts of Economics Into the Eighth Grade History Curriculum

Since the Eighth Grade class of 1979 will not have been introduced to the concepts prior to their American History course, it will be necessary for the teacher to review those concepts as explained earlier in this guide. It is of the highest priority that they understand the identification and explanation of these concepts before the teacher proceeds into the course material.

The defeat of the South and the victory of the Union during the Civil War offers the teacher several opportunities to present basic concepts to the class in a historical context. By 1865, the South's loss was economic as well as military. Slavery, that important link in the cheap production cost of Southern cotton was gone forever. In fact, as the teacher should point out, to this very day the South has not regained the share of the world's cotton market it held on the eve of the Civil War. With emancipation soon to be part of the Constitution, the South could not even hope for compensation for their loss of slave investment. Moreover, the North insisted on one condition that bankrupted the South--all Southern war debts were declared null and void. The banking system of the South as well as the savings of thousands were wiped out as Confederate bonds were reduced to so much worthless paper.

The chief revenue of the South had been cotton, by 1865, with slave labor gone from the plantation, the South had only the most bitter of prospects. What cotton that could be grown and offered abroad faced new competition. During the war, the British cotton mills had turned to her colonies for supply. The Near East and The British West Indies had gone into feverish production. As the teacher should point out, as the supply from these new sources increased, the price fell. In addition, the

British demand actually fell as British industry turned to the production of other items for world trade. Southern cotton was now higher to produce and the profit was considerably less. The infamous tenant farmer system, often more cruel than actual slavery, required a greater production capital and was no more efficient. In most states of the defeated Confederacy, the Carpetbag government had no sympathy for the planters and placed huge taxes on large land-holdings. The combination of all these factors lead to the destruction of the plantation system, leaving little in its place.

Into this void of economics, many Southern states turned to business, commodity farming, and railroad speculation. In Texas, cattle and land became the supply and eased the problems somewhat. However, as the teacher should note, the entire South became an economic backwater. Her population dropped and her national significance waned. It was not until the twentieth century when oil was discovered in Louisiana and Texas that the South had a viable supply, other than land and cattle to offer.

If the War had killed the economy of the South, it gave the North a great boost. Government expenditures gave the

Northern industry a fresh influx of wealth. To obtain equipment for the troops in the field, the Union spent millions of dollars among her own merchants. Thousands became rich overnight. The War Department, in 1861, was headed by one of Lincoln's political appointees, Cameron. His purchasing practice was so utterly incompetent and corrupt that it actually endangered the safety of the army. His friends, of course, enjoyed a period of great prosperity. The teacher should take the opportunity, ever so briefly, to ask the class if, when the government enters the marketplace, should it be giving preferential treatment? Should it be allowed to establish its own production facilities? Finally, the class should be asked what happens to the private supplier to the government when the war ends and his items are no longer needed? Does the government have any special obligation to aid him to re-tool to re-enter the civilian marketplace?

As the war ended, the North experienced the typical post-war recession. Thousands of returning soldiers found that there was no employment as the economy slowed from the feverish pitch of wartime production. The teacher might indicate that this condition--recession--actually is a period where supply

outstrips demand, prices fall, followed by slower production. These post-war recession have followed almost every major American war and seemed, until 1946, almost unavoidable.

The business recession of 1866 lasted for a comparably short time. The reason, as the teacher will wish to explain, was the railroad boom which followed the completion of the transcontinental railroad in 1868. The sudden growth of the American railroad industry offers the teacher an opportunity to point out several examples of the basic concepts as well as several collateral concepts. In order to entice the railroads to cross the American plains, the government offered a cash and land subsidy. The government would lend (in actuality, grant) the Southern Pacific Railroad Company of Saint Louis and the Northern Pacific of California the capital necessary to build their rail-beds, the per mile sum dependent on the grade of the terrain. To sweeten the proposal, the government also granted the two railroads of the East and West large sections of land. The entire affair is best seen in purely economic terms. The government offered the demand. It went into the marketplace for a supply, the technical know-how to build the railroad. The Law of Supply

states that when the demand is consistent and the price high, the supply will increase and the price will fall. The exception, however, often is seen in the area of service as supply. If the service is complex, demanding years of training and experience, the supply may not increase at all. The situation faced the Union Government of 1862. There were very few capitalists in the United States who were willing to take the gamble in forming a company to build the railroad. After-all, in 1862, the building, the engineering skills to span the Great Plains, the rivers and the mountains of the American west did not exist. The men who laid the transcontinental railroad would have to learn as they proceeded, not to mention fighting off the savage Indians, facing the winters and the summers of the wilderness. The offer of the government continued to improve, the price rising. Finally, Leland Stanford, a California merchant and railroad financier agreed to build eastward and a group of eastern speculators agreed to form a corporation and build westward from St. Louis.

By 1868, the railroad was completed and the fortune of the Southern and Northern Pacific lines assured. Despite the sordid involvement of the Southern Pacific in the Credit Moblier

scandal of the Grant administration, the railraod boom was only beginning. Soon rails crossed and re-crossed the states and the territories. The builders amassed fortunes of staggering size. Yet, other fortunes were also made from the railroad boom. The Bessermer steel process--stolen, it is alleged, from Germany helped create the vast United States Steel industry, employing millions and creating multi-millionaires. George Pullman designed, perfected, and manufactured sleeping cars to ride the new rails and in the process, made a great fortune for himself. The coal industry felt the new demand and pressed forward to increase production, oftentimes ignoring safety measures in the mines. By 1885, the United States boasted more millionaires than any country on earth. Prosperity and contentment, however, were confined to Wall Street and Blue Stocking Road. On the railroads, in the steel yards, in George Pullman's factories, and in the coal pits, the working men of the United States were restive.

The labor movement in the United States from the late 19th century to the present day gives the teacher an opportunity to explore one basic and several important collateral economic concepts. For, despite its sociological and historical

importance, the organization of labor is basically an conomic occurance. It is organized labor that adds the final fillip to today's production cost, often so large a fillip that American goods find themselves noncompetitive.

As the great industries of the United States grew larger and the great capitalists grew richer, the working men grew increasingly more dissatisfied with their lot. Millions of skilled, semi-skilled, and un-skilled workers toiled at brute labor under the most unsafe conditions. Since these mens' wages were a large part of the production cost of coal and steel, the owners and managers of these industries were particularly anxious to keep wages low, costs low, and profits high.

At this point the teacher should put the question to the class if the employer owes anything to the employee other than a freely agreed upon wage? If the worker is not offered or does not receive a sufficiently adequate wage from his employer what are his alternatives? The class should reply that he can go to the marketplace and offer his supply (his labor) to some other employer with a corresponding demand. This, of course, is the manner in which the free enterprise system should operate. What if, the teacher should suggest, that in quitting his job he was also required to vacate his

company-owned house, and until he can find other work, his family will not have a roof over their head? What if, in leaving one employer over too low a wage, he discovered that he was blacklisted (explain the term) among other potential employers and could not find other employment? What if the supply of workers is kept so high by immigration that the marketplace is glutted and he can find no other demand for his service?

At this point the teacher should find more sympathy in the class. He should point out that the situation was not hypothetical. In this country in the late 19th century all of these situations existed. George Pullman, as did mine owners in Pennsylvania and West Virginia, required his workers to live in his company town where trouble-makers faced eviction if they complained of working conditions. The blacklist existed as did the purposefully glutted labor market. The teacher should ask his class what history teaches when demand and supply cannot meet? Force!

Faced with untenable working conditions, American workers organized into labor unions. They were largely unsuccessful. The state and federal governments were, generally, anti-union and bloodshed and violence followed. The struggle continued,

off and on, until well into the 1930's when, in exchange for political support, the Democratic party gave the unions unparalled powers to strike and to employ collective bargaining with the owners (explain the term--the unions were allowed to represent all of the workers employed at the plant, even non-members). This followed a growth in power for the unions until this date where some unions--particularly the Teamsters--can themselves block the marketplace by forcing the owners to raise wages (and, consequently, prices) to the point where many American products are no longer competitive in the marketplace. Labor unions have grown in both political and economic significance in this century. Certain industries, namely the auto industries, have such a high pay scale--forced by the union's ability to control the marketplace--that senior employees on the assembly lines of Detroit command salaries greater than professors at the University of Michigan! The railroad union is so powerful that they are successful in blocking the efforts of the management to modernize equipment. In one famous situation the union refused to allow the company to eliminate the job of firemen (those workers who formerly fed the boiler on the steam engine) long after the need for such

a person had vanished.

Some employers have attempted to prevent the union from organizing their factories by offering the workers attractive terms. Henry Ford kept the U.A.W. from his plants for years by a system of high wages and a profit-sharing plan. Unfortunately for Ford, the Great Depression and the Democratic party ended his holdout.

From a purely economic point of view, the current situation appears troubled. The President's efforts at voluntarily controlling wage increases have been largely, ignored or circumvented by the union leadership. The workers, quite naturally, face the perils of the present inflation with buying power erosion threatening their standards of living. They demand higher wages for their service. Since the unions can command the marketplace by collectively withholding their service, the employers have no alternative but to agree and to pass the increase in production on to the consumer in higher prices.

Another very important economic event occured in the late 19th century, the creation of the corporation. The corporation is purely a business creation, a stock holder-owned firm, with

elected officers responsible only to the stock holders. It is usually a vertically intergrated organization run by a central office. The teacher, particularly in Middle School, may want to proceed more slowly with this collateral economic concept. He may want to point out the advantages of such an organization. The corporation is first, capitalized. That is to say, it has large assets. Large corporations have assets that are simply staggering. With these assets, it can usually produce, or even purchase, cheaper products than the more limited one or two owner firm. Second, since it has large assets, it can hire the best management, and even the best business attorneys. It can influence public policy by its sheer size and, sometimes, intimidate governments. Basically, the corporation was created for the sake of efficiency, not from greed as some critics claim. Historical research into the motives of the founders of the great corporations of the 19th and 20th century agrees that such business efficiency devices as central direction, marketing, and purchasing were the real motives, not a capitalistic plot. The corporation differs from the classic stock company--known to commerce since the days of Rome--in that its purpose is not so much to share the risk and profits as effective business operation.

Since its owners, the stock holders, may number in the thousands or hundreds of thousands, the management is constantly attempting to increase productivity and satisfy their demand for a fair return on their investment.

In the latter half of the 19th century and the early 20th century, the great corporations took a step which had profound historical, social, political, and economic impact, they--quite legally--formed trusts. The trust is, actually, a natural outgrowth of the corporations attempt at total business efficiency. They are designed to prevent competition in the marketplace. Corporations, like all other sellers, face the problem of demand and supply. The Law of Supply tells us that as supply reaches a consistent demand, it will increase and prices will fall. Production will slow until harmony is reached. The corporations did not want to face the problems of a falling production. Consequently, they agreed not to compete but to divide up the marketplace. A hypothetical example might be used. The three largest auto manufactures agree that they will not compete. Ford will make all of the large family cars, General Motors all the small cars, and Chrysler the trucks. The price will be firmly fixed and the public will

not have an option. Naturally, the corporations, and their stock-holders, will be pleased. The buyers, sadly, will not. If they want a car, they will have to pay the fixed price. The auto manufacturers will have no reason to seek to improve their products and can raise the price as they see fit. The marketplace, free enterprise, will not function.

The 19th and 20th century trusts in the United States did exactly this very thing, they agreed not to compete, they circumvented the marketplace, all the while singing the virtues of the American economic system. Some corporations grew so powerful and ruthless that they, in turn, outgrew the need for the trusts. United States Steel and Standard Oil actually drove their competition from the marketplace by radically lowering their prices. Later, they raised prices and customers had no choice but to pay. State and the federal government was unwilling or unable to cope with these huge, wealthy, and powerful business organizations. Yet, the people were beginning to demand that economic stability be returned.

In the 1880's, the Sherman Anti-Trust Act was passed by

a reluctant Congress. Dispite the fact that it was ineffectual, the law signalled a shift in public sentiment. Some states, particularly Texas, passed local laws to curb railroad abuses. In the first two decades of the present century, popular presidents had some success in trust-busting and anti-monopoly legislation. While the problem was by no means eliminated, great steps were taken to restore the free marketplace to healthy competition.

By the close of the 19th century, the United States faced an economic problem. Domestic demand had been overtaken and passed by domestic supplies, particularly by farm products and some manufactured goods. Since supply continued to increase, the government had two choices: do nothing and suffer the unpleasant consequences which entailed unemployment,labor unrest, unhappy investors,and stagnation,<u>or</u> to seek new markets for United States production. Since the administration of Benjamin Harrison, the United States had actively supported the domination of much of the South American marketplace. James G. Blaine, the Secretary of State, had urged and received a reciprocal tariff law from congress (the teacher should explain again both terms) that assisted in this domination. The law simply stated that the United States would permit

tariff free importation of South American produce in exchange for a "most favored nation" status for American goods. On the surface, at least, this appeared a natural and defensable quid pro quo. In reality, it was an economic demand. Most of the Latin American countries were one cash crop producers who were utterly dependent on the United States marketplace.

Geography and colonial mercantilism also placed cruel economic restraints on potential markets for the South Americans. The nations of Europe, almost without exception, looked to their (or their neighbors) African colonies for coffee. As the teacher should once again indicate, geography plays an important role in marketplace prices. As a map will show, South America's nearest neighbor is her chief competetor in the raising of coffee, the African states. As it turned out, when the Suez Canal opened in 1868 it made it possible for East African goods to reach Europe much cheaper than South American could possibly hope. Miles add price to goods in the marketplace. Transportation is a chief ingredient in the final determination of what goods may sell for in their final destination.

Sugar, also produced in South America, was likewise placed in an unfavorable position by competetors nearer the final market. Moreover, the growth of the sugarbeat industry in France slowly reduced European dependency on cane sugar in the mid and late 19th century. Hawaii and the American states of Louisiana and Texas vied with Cuban sugar for what can sugar markets remained in the United States.

Dispite the growing supply of sugar on the world market, the war torn Spanish colony of Cuba remained a prime target of American

businessmen who had large investments in that colony. Cuban rebels threatened American-owned sugarcane fields. Pressure was brought to bear on President McKinley who, in turn, placed pressure on the Spanish to stabilize the situation. Another, bolder group of Americans was also watching the situation but with different motives. They wanted to enter the great China marketplace. Since the colonial period, American ships had plied the China trade. However, in the days of steamships, the United States was at a disadvantage. Where America's trade rivals from Europe and Japan had trade concessions in China, the nearest American anchorage was in the Sandwich Islands (how Hawaii became an American territory is another tale of economics in action). Spain, however, had a base on the gateway to the China market, the Philippines. If war was promoted with Spain, Americans could free Cuba and seize the Philippines in one fell blow. A reluctant McKinley was forced into the war against his will and the advise of his mentor, Hanna.

The American business community was divided in their support of the action. Mark Hanna was openly opposed to it. J. P. Morgan and John Rockerfeller took no action and were not among the warmongers. The teacher should point out that those

capitalists whose supply still found an market, particularly steel and oil, had no interest in the war. Those whose supply had already exceeded the demand, politicans from farm states, the fertilizer trust, etc., were much more interested. Hearst and Pulitzer--seeking more readers (supply)--actively supported it. Dispite the misgivings of the Populists, the war was popular with most Americans.

The results of the war were predictable. The United States had the makings of an empire. The Open Door note and its effects (another example of the government involved in the economic life of the country) gave the Americans the China market they desired.

The reform administrations of T.R. and Wilson were strongly affected by a consideration of economics. Most Americans felt that the distribution of wealth in the United States in the first two decades of this century was unfair. Both presidents were students of history and both were surely aware that economic maldistribution, as it becomes apparent, will be corrected, forcefully if necessary. Both instituted measures to correct the situation. T. R.'s policy of trust-busting (mostly show) was continued by President Taft, a deeply

conservative man who had a firm belief in the ability of the freemarket to correct itself if the trusts and monopolies were eliminated. Wilson continued with the establishment of the Federal Trade Commission to encourage free competition and the Federal Reserve System to correct banking abuses. The teacher, at this juncture may wish to insert a quick review of the banking system and the nature of money. He might point out that it took man thousands of years before he would accept the concept of money. Paper money also met considerable resistence. It was not until the close of the nineteenth century that backcountry store-keepers in this country would accept paper money in lieu of coins. The banking industry is in the marketplace as both a service and as a supply. They offer their depositors security (vaults) and expansion of capital. They serve as a supply for those who have a demand for loans. Large banks, with large deposits, can become very powerful. Wilson was aware that recent congressional investigations had revealed that many of the largest banks were controlled by some of the same men who controlled the trusts. Consequently, he signed into being the FRS, the federal agency which had oversight powers to regulate those nationally chartered banks. The FRS

was designed to force the banks to divulge ownership, loans, and to require them to meet certain standards designed to protect deposits. Sadly, Wilson's successors allowed the agency to erode in power and influence and when the Great Crash took place in 1929, many banks failed, compounding the dire economic effects.

During and after the Great War in Europe, the United States became the chief creditor nation in the world. During the war the nation's economy was geared by the government into full war production and millions and millions of dollars of goods were sent to Europe. Virtually all of the wealth of the allies was exhausted in an attempt to meet the payment. By 1919, Wilson had the power to dictate the terms of the future in a manner in which no American has ever had. Yet, largely due to his faults, he failed to do so. America , the only undamaged nation in the west, retreated into political and economic isolation. With one exception, the economy of the United States flourished during the 1920's. Only the farmer's lot declined.

The Republican presidents left the marketplace to its own devices and the economy soared. The standard of living in this country reached a level unsurpassed

in the world. Millionaires multiplied and the wages of the working class reached its highest peak in history. American demand for consumer goods saw flood of autos, radios, and other items enter the marketplace. Yet, there were warning signs. The world's cotton demand collapsed and cotton growers in the United States lost millions. Foreign trade was slowed by the inability of the Europeans to pay. England was bankrupt and the Labor party called for socialism. France was in ruins and extremists promised dire measures. The new German Republic, the most truly democratic nation in Europe, struggled for life amidst emenies of the left and right. Not until the late 1920's did the American government realize that the economic life of the United States was firmly linked with that of Europe. If Germany could not pay her war debts to France and England, those countries could not pay their war debts to us. The United States made a feeble effort to ease the problem with the Dawes and Young Plans of the late 1920's. By then, the situation was beyond repair. Germany's brief recovery collapsed in the worst inflation seen in modern times. The teacher can easily illustrate the German problem by referring to the chart at the rear of this guide and reading to class some of the prices reached by ordinary items. This concept,

inflation, has been discussed earlier in this guide. However, a fruitful discussion might center around the causes, in this case, the German government's decision to print millions of mark notes without any real value. The Weimar Republic was struggling for life. Its opponents, at home and abroad, demanded action. The leadership, unable to meet domestic demands, attempted to ease the situation by allowing the currency to fluctuate, that is to hold only that value domestic and foreign investors believed it held. Germany had some gold reserve. She had her industrial capacity. She had, dispite, her problems, the capacity to return to a productive state. Yet, her neighbors in France and England refused to allow her time to recover. Her citizens, distrusting democracy and the other factions within the nation, demanded immediate remedies.

The German government, consequently, printed more paper money than her gold reserves or her immediate production potential permitted. The value of the Mark note fell. Its purchasing power fell. The government printed more money. Prices and wages leaped upward. The faith of the people, shaky at best of times, collapsed and the cry was heard throughout the land that a new leader was needed. Although

the government survived after 1924 the damage was done. Germany's neighbor, Italy, had experienced the same situation and her cry was answered by Mussolini who promised economic stability at the price of democracy. The Germans, in 1930, watched, and perhaps, envied.

As the 1920's moved on towards the next decade, Americans were unconcerned. The stock market continued to climb and many, many Americans became investors for the first time. The teacher should , at this point, stop and explain this collateral concept of investment and the stock market. The explanation is simple enough. Corporations, in order to gain capital, sell shares or stock in their firms. Investors purchased this stock which gives them ownership of that percentage of the company's assets. For example, if corporation X is owned by ten men in equal shares, each man is entitled to one tenth of the companies assets. If the company makes a profit, he is, normally, entitled to one tenth of the profits. (note: corporations don't share all of their profits, some is returned to expansion, depending on the management's choice.) If one man chooses to sell his stock he can offer it to the public at whatever figure he likes. While its true value would be one tenth of the company's fixed assets, its equipment,

buildings, less its debt, its market value might be considerable more. If the corporation had good business prospects, the value of the stock would be high. The actual price is fixed by the law of supply and demand in a marketplace, called the stock market. The largest marketplace for stocks was, and is, the New York Stock Market. Unlike other markets, however, the stock market is not open to all sellers. The only persons permitted to offer items for sale are the licensed brokers, or agents. These men are considered trustworthy and reliable. These agents buy and sell stocks and take a small fee for the service, called a commission.

In the 1920's the market was, actually, unpoliced. Activities took place on the floor of the market that would be unthinkable today. One of the more common abuses, one which helped fuel the Panic of 1929, was the practice of margin buying. Although illegal today, margin buying allowed the stock buyer to borrow up to 90% of the stock's purchase price from his broker. The effect was to allow undercapitalized buyers, easily panicked, to buy large quantities of stock. The theory was that the buyer would repay the broker the balance of the purchase price when, and if, the stock's

value rose. At that point, the broker would sell the stock to some other buyer, deduct his balance, his fee, and turn the remainder over to his delighted customer. The theory was sound as long as the price of most stocks continued to climb. No one foresaw the possibility of all the stocks dropping in value at the same time. When it occured in October of 1929, panicky stock holders and panicky brokers sold their holdings at a great loss and the value of the entire market collapsed.

Other unsound activities took place on the market. Stocks were sold by unlicensed agents. Stocks were "watered", their true value misrepresented. Banks invested their depositors money in the market and took unethical risks in the firm conviction that the market was sound.

Additional events helped speed and prolong the Great Depression of 1929-1940. The policies of Secretary of Treasury Mellon were a major contribution. Mellon, soon after the election of Harding in 1920, instituted a number of economic policies which later proved unwise. Among these policies, which the teacher will wish to discuss, was the lowering of the personal and corporate taxes which placed a large amount

of money in stock speculations, the enactment of a series of high tariffs which damaged the economy of Europe, and his failure to restrict the growth of the resurrgent trusts which damaged the free marketplace once again.

The Crash of 1929 caught most Americans by complete surprise. The newly elected President Hoover, a kindly and decent man, found himself unable to cope with the worsening disaster. By 1930, the stock market had collapsed. Employment had declined, demand had dropped and supply was falling. Called by various names, Crash, Panic or the Great Depression, it had the American people by the throat.

The teacher should stop and clarify these economic terms that the student has heard used to describe this terrible period. First, a recession is a period in which there is a slowing of business activity. Demand slows, supply slows, and unemployment, the bugaboo of popularly elected officials, increases. Recessions are, in fact, small depressions. The true difference is only in their length and severity. The effects are the same on a limited scale. A period of inflation, unlike a recession, is a period in which demand and supply are both high, unemployment is usually low, but the

excessive amount of money in circulation lessens in its per unit buying power. As a rule of thumb, economists determine if a depression, recession or inflation exists by the relative buying power of the dollar. Hence, if the dollar's buying power suddenly drops, as in the condition today, we have inflation. If, on the other hand, the dollar's buying power increases, then we may assume that we are in a period of mild recession. At least, that has been the classical definition. The terms crash and panic (which was explained earlier) refer to a short-lived period in which the value of stocks, properties, and other commodities suddenly fall.

1929 saw a crash, and a panic, and a depression of unprecedented severity. First the total value of all the stocks on the market lost nearly a hundred million dollars in the space of eight months. The panic followed with typical results of worsening the situation. The Great Depression set in quickly with massive unemployment, declining demands, declining supply and a disappearance of surplus money. The teacher might well be asked where did the money go? The answer is complex and difficult to explain. The best description may be to say that it was hoarded. It went into

government securities, into gold bars, into safety deposit boxes in the secure banks. A more complete answer might be that it was never really there! Much of the wealth of the stock market was paper value,not real dollars. One man might have inherited stocks which he believed to be worth a million dollars. He was, by definition, a millionaire. However, when the crash came his stocks could not be sold. He was now a pauper. His net loss was a million dollars, yet no actual dollars were lost since none were actually ever involved. His paper worth, what his broker said his stock was worth, was gone but no real American greenbacks ever existed to cover his original paper worth.

Hoover attempted to help. He reassured the American public by radio speeches that the "economy" was sound. The Depression deepened. He attempted various measures--actually most were sound plans, including his last effort to save the basic industry of railroads, insurance companies, and banks (his "trickle down theory" trickled too little, too late)--which failed because he lacked the support of his party, his friends, and his people.

In March of 1933, the American economic system with its

concomitant blessings and faults stood in peril. The teacher cannot stress this point too heavily. American capitalism stood at the test. A purely economic crisis--the crash, the panic and the depression--had brought America to the brink of civil war. This is not idle conjecture. The last great banks stood tottering in the wind. Their failure would spell the beginning of the end. The next time the Bonus Army marched its ranks would be swelled by millions of demoralized, frightened Americans and the American government would pay the fiddler's price!

FDR was to be the target of considerable abuse from the upper class. He was to be denounced as a dictator (not true), ruthless (true), and unprincipled (arguable). His greatest economic gift was that he was uncommitted to any economic philosophy. In other words, FDR was what the country needed in March of 1933! He promptly closed the banks, using authority undreamed of by his predecessors. This action permitted the sound banks to be reorganized and recover. He instituted a crash relief program, the W.P.A., the P.W.A. and the C.C.C. He instituted a farm program of government subsidy and artificial shortages by allowing farmers to plow up surplus crops to create higher prices. He attempted to restore business by

regulation and earned the Democratic party the loyalty of the labor unions by forcing industry to accept the Wagner-Connerly Act. He gained the support of the aged by passing the nation's Social Security Act, a popular action but one filled with economic insecurity for the future. In the process, FDR regained the confidence of the people, proped up capitalism, and made the Democratic party the dominant national party for generations yet to be.

The teacher will wish to explain each of FDR's programs in detail. However, the over-all picture should be presented in economic terms. By saving the banks, by the work-relief programs, by farm measures, by the Social Security Act, by the Wagner Labor Relations Act, FDR was acting in accord with the theories of the British economist, Lord Keynes. Keynes' theory,in short, was that the government can correct both inflation (too much money in circulation) and depression-recession (too little money in circulation) by either massive government spending or government programs of austerity. Yet, Keynes plans had one hidden flaw. How does a popular government cut back its programs when inflation sets in? Each American president since has failed to deal with the problem.

The class might be asked where the government could cut back? Social security? The president would never be allowed to do so. Defense spending? Again, the defense lobby would defeat the plan. Government employee reductions? The black leadership and the unions would block the effort in congress. Reduction of government services? Again, the American people would not permit it. The consequences of the Keynes program, once implimented, seems to be a permanant legacy in the American economy.

There can be no question that FDR saved our economic system. However, it was World War II that ended the Great Depression. When the war mobilization of 1940 and the subsequent military draft took place, unemployment dropped to zero. Following the precedent of earlier administrations, the federal government let contracts to private industry to build the equipment for war. Again following the precedents of Wilson's administration, prices and wages were frozen, rents fixed, and excise taxes imposed on luxury goods. Rationing fixed some demand and excess profit taxes, along with the war effort, fixed supply. From 1941 through 1946, the American economy was locked into a rigid government mold.

After the war, the United States was again the greatest industrial power in the world. Hoping to avoid the typical

post-war recession, the government adopted several worthwhile economic measures. The millions of returning servicemen were guaranteed employment and, in addition, the opportunity for higher education. The G. I. Bill of Educational Rights was one of the wisest economic measures this country has ever employed. Not only did it allow college training for millions of young men but it insured that the future would have a cadre of educated managers, scientists, and engineers. The rapidly developing technical revolution of the fifties, sixties and seventies has greatly benefited from this program.

Another collateral economic program involved the housing boom caused by the government's loan insurance program that made possible that the returning serviceman could secure credit to purchase a home. So successful was this program that a new building process was employed to erect cheap, but adequate housing in a brief period. True to the Law of Supply, the cost of these units fell as the so-called "Levittowns" sprang up in the suburbs of America. Shopping centers followed and a new American way of life appeared, suburbia, with all its blessings and crab-grass. Later as ex-G.I.'s left the home market, the government opened the loan guarantee to all qualified buyers, creating a lasting boom in the building trade.

Here, the teacher can pause to point out one of the real marvels of the American economy. "Levittowns" used technology learned from the war, pre-cut, pre-constructed materials to build homes to satisfy the demand. In keeping with the Law of Supply, the unit prices were kept low. Current examples should come to mind. Technology has lowered the production cost of televisions, computers, and hand-held calculators. Japanese competition in our free market has kept the price low (some observers have pointed out that the efficiency and productivity of the Japanese workers may prove more than a challenge to the Americans whose own worker efficiency and productivity is dropping). In the Soviet Union, for comparision, customer demand, while quite restricted, has not been met in the same satisfactory manner. The teacher should consult the chart at the rear of this guide and describe for the class the number of work-hours it takes for a Soviet worker to obtain many of the same items that Americans purchase with ease. It would appear, in this case, that the Law of Supply greatly favors the American system to that of the Russians.

The American economy of the 1950's was, largely, prosperous. Prices and wage demands were rising, but slowly. The teacher might again consult the charts at the rear of this guide for

confirmation. Although there was a slight post-war depression in 1955, the age was one of confidence and economic serenity for most citizens.

In the 1960's, however, it proved to be another story indeed. Two events, of greater or lesser social significance, had great economic impact on the decade and on the current generation. The two events were the Black Civil Rights movement and the Vietnam involvement.

The demands of the American Blacks in the 1960's were as much economic as social. Their prime demand was school intergration. Their argument was that the inferior segregated school of the South and Mid-West prevented the blacks from an education necessary to secure the benefits of the middle class. They claimed that the professional schools were closed to blacks due to overt racism or the lack of proper educational preparation. Citing the Equal Protection clause of the 14th Amendment, the High Court agreed with the brief of the N.A.A.C.P. and ordered school segregation to be ended in the nation's public schools. The problem is best understood in the economic context. American Blacks, at least those black leaders like King and Marshall, had a demand: entry into the American

middle class. This demand required a service, better education, rather than a supply. The supply was not forth-coming. They applied to the courts to force the supply. The courts agreed. Dispite resistance from the South, the administrations of all of the presidents since 1954 have urged the supply from the various reluctant states. In 1964, the congress,in grief for a fallen president, passed the Civil Rights Act whose implimentation has changed the shape of racial policy in this country.

Dispite its social impact, the Black Revolution of the 1960's lacks the sheer destructive economic effect of the American involvement in Vietnam. Each of the American Presidents from Kennedy to Nixon must share the blame for this economic tragedy. Each of these presidents chose to pay for the unpopular war by allowing the country to slip further and further into an inflationary period. Wars must be paid for in one way, increased taxes. In a word, the people must pay in reduced incomes. Higher taxes are unpopular but they do prevent the government from the dangerous tactic of debasement. The Vietnam War was widely unpopular. The blacks did not support it because it detracted from their own civil rights efforts at home. The youth did not support it because they had to fight it. Rather than face the additional anger of the outraged taxpayer, the

presidents of the sixties allowed the congress to pass military appropriation laws that sent the national debt higher and higher and slowly eroded the purchasing power of the dollar. Critics cried out that this country must either reduce social services (unthinkable) or end the war (unAmerican). The presidents, and the elected officials in congress, did neither. In the early 1970's Nixon attempted to correct the situation with a wage and price freeze. The effort, widely unpopular, was soon ended.

By 1976, the incipient inflation became a national crisis when OPEC first embargoed, then raised the price of crude oil. The nations of the Western world faced the terrible prospect of seeing their economies crash. Some of the European nations took heroic measures to control their inflation and their oil comsumption. The United States ignored the warnings and the inflation of the 1978-79 years has become the key problem facing the survival of President Carter. The president has urged three measures: conservation, increased domestic oil production, and alternative fuel sources. All three require considerable effort from the public. The first, perhaps, can be forced on the people by edict. The second appears

to require deregulation of oil prices which oil-poor-state congressmen will not approve. The third requires massive governmental spending and time. Mr. Carter may not have either of those requirements.

Guide to the Intergration of
Selected Concepts of Economics
into the Eighth Grade study of
Nazi Germany and Soviet Russia

This topic makes an excellent fillip for the American History course. It offers the teacher an opportunity to compare and contrast the economy of the Soviets, the Nazi and the United States. It is also an excellent opportunity for the students to receive a fair, unbiased, introduction to Marxism within an historical context.

Karl Marx, son of middle-class German Jews, wrote most of his major works during the social and economic struggles of the mid-19th century Europe. Borrowing from Hegel, collaborating with Engels, he saw the ill effects of the Industrial Revolution in Germany, France and England as a herald of the forth-coming workers revolution which would sweep industrial Europe (the teacher should stress this point, industrial Europe. Marx never considered the possibility of the Russian peasant joining in the imminent struggle).

In marx's view, history was profoundly linked to economics. No history event was clear of its influence. He saw the various stages of man's development as struggles between the

classes; workers, bourgeois (middle class), and the aristocrats. For centuries, the working class (be it peasant, tenant, slave) had lost the struggle. However, the Industrial Revolution had turned the table. The workers in the factories for the first time controlled the supply of the economy. Heretofore, the aristocrats, and their bourgeois lackeys, had always kept a firm hand on the supply, forcing the lower classes to accept drudgery in order to fulfill their demands. With the help of a few intellectuals (intelligensia), the workers would sieze the factories and force the owners into concessions.

According to Marxist theory, the workers of the world would join in the struggle, eventually establishing a perfect socialist state. This state would be, initially, directed by the members of the workers inner circle, the Communists. These elite would oversee the destruction of all of the vestiges of capitalism, the demand and supply system, private ownership, and, one supposes, the other two classes. Once accomplished, the workers would democratically elect some of their fellow to see to the running of the economy in which all would be socialist bliss. At some point in the future,

the communist party would disband, its services no longer needed. The workers state would control production and distribution and all would share equally in the proceeds, according to their needs.

Marx' influence, curiously enough, had little impact in England, France or western Germany, the three greatest areas of industrial concentration. The socialism in these areas--with the bloody exception of the Paris commune--seemed to follow a more evolutionary theory than Marx' violent overthrow. Be they Fabian, Christian, or Labor, the western European socialists firmly believed that if they waited patiently the capitalistic system would fall apart and they could legislate their new world into being--a rather frightening prophecy considering the socialistization of England in the 1930's and the growing socialist sentiment in Italy and France of today. Perhaps, Marx' theory went astray in his misinterpretation of the flexibility of the free market system. Rather than throwing the country into bloody civil war, the conservative government of Great Britain in the 1920's peacefully handed the reins of government to Ramsey MacDonald's Labor party. In return, the British socialists

left most of the system intact. In England, certainly, the working class appeared to have wanted the comforts of good wages, old age benefits, free medical care, and a semi-socialist, semi-capitalist society rather than a workers paradise.

By the turn of the century, most of the active Marxists were located in Eastern Europe and Russia, areas almost devoid of industrialism. Contrary to Marx' own theory, it was not the workers, close to the means of production, but the slavic peasant who found the promises of a communist society most attractive. As World War I approached, a new and powerful personality took charge of the Russian Communist Movement, Lenin.

Like Marx, Lenin was of the middle class. Unlike Marx, Lenin was not a romantic. He used force, deception, and betrayal wherever the need arose. He had no illusions about the tendacity of capitalism. When the World War brought down the Czar, he accepted an arrangement with the Imperial German Army to gain entrance back to Russia from exile. Russia's separate peace with the Kaiser allowed the Germans to send a million men to the Western front and almost win the conflict.

Lenin established himself as ruler of Russia and used the most cruel means to root out all opposition. While quoting Marx, he established a totalitarian state in Russia which rivaled the beastiality of the later day Hitler in Germany. Literally thousands died in the process.

By 1920, Lenin had established a curious socialist-police state in Russia. After the failure of several Five Year plans, he sought and received managerial assistance from the capitalistic west. With his death in 1924, a Georgian peasant, Joseph Stalin filled the void in the same manner. The Soviet economy both benefitted and suffered from state planning. Under the Stalin-Lenin system, the central government in Moscow set quotas for production. The workers were paid fixed salaries and lived in state furnished housing. Medical and educational services were free and available to all. If the quotas were met, all proceeded smoothly. Unfortunately, the Soviets soon discovered that their economic system had huge flaws. First, the demand was set by the state and did not fit the real demand of the people. Second, the quality of the factories were so poor that the goods were near useless. Apparently, the factory workers, having no incentive (and very poor skills in the 1920's and 30's) had little interest in producing

quality goods. The Soviet supply had no competition and, consequently, little reason to produce more attractive goods. The quality of Soviet exports was so poor that few nations were willing to allow it into their market. Like Lenin, Stalin asked for assistance from abroad and received it. Mush of the oil exploration in the Soviet Black Sea basin was carried out by American oil teams! Much of the modernization of the Soviet auto and truck works were carried out under Ford engineers.

In fairness to the Soviet economy, life did improve in Russia for the great bulk of the people. Often quoted statistics, showing the Soviet Union less productive in the 1930's than under the rule of the Czar are misleading. Communism did lead to better housing, better medical care, and better education for the masses. If the terrible price paid in human suffering under Stalin's police can be ignored, communism did improve the lot of the Soviet worker and peasant.

World War II proved the Russians incapable of facing Hitler's modern army. Only the giant influx of American military assistance, accompanied by Hitler's brutal treatment of the occupied zones of Soviet territory, saved the communist state from defeat.

From the utter ruins of war, especially following the death of Stalin, the Russian leadership set out to rebuild the Soviet industrial base. The effort has continued to this day. Unfortunately for the Soviet consumer whose demands for luxury goods is rarely filled, much of the Soviet effort has been in the military direction. A large percentage of the Soviet budget, if we are to trust C.I.A. and Pentagon sources, annually goes into military preparedness. Another large hunk goes into the support of Soviet saptraps around the world, chiefly Cuba. Soviet agriculture is still a sad condition. Soviet wheat production annually fails to meet the growing demand within the nation. Since the late 1950's, the Soviet consumers have increased their demand for beef, heretofore severly limited. Soviet cattle require wheat as does Soviet bread. Since 1971, the Soviet Union purchase of American wheat has risen from zero to 20 million metric tons! The waving amber grains of Kansas are going to feed Moscows' millions!

The Nazi economy under Hitler, like the Nazi state itself, was a curious blend of romatic nonsense, state capitalism, and individual exploitation. Originally, Hitler's German Workers

Socialist Party held a fair number of Volkist socialists who wanted to throw out capitalism entirely and live in a racially pure, pastoral state. Once Hitler needed the support of the Rhine Industrialists, he cast aside his old socialists allies and proceeded to follow the example of 'E Duce. What Hitler proposed to the German industrialists was state capitalism. In other words, the leadership of the Nazi would surpress labor, fix wages, and give the industrialists a free hand to make as much profit as possible. The factory owners would then share their profits with the party.

With Hitler's seizure of power in 1935, the pact was made and fulfilled. Germany went into a period of wartime production. The entire industrial structure of Germany was bent to the effort. Unemployment vanished, as did labor leaders and other dissidents. The owners shared their profits and some of the industrialists enjoyed their relationship with the Nazi until the bitter end. Others, seeing the iron hand of Nazism, fled Germany, leaving behind their fortunes. Generally, the situation depended upon the industrialist. If he had contacts within the party, he had a smooth time with the Nazi. If, however, he was a reluctant supporter, he might find his factory property of the Third Reich!

A useful comparison of the three economies is in order. The American "mixed system" of economics has obvious flaws. Too much wealth is often a means to gain power, for persons and corporations. Moreover, the marketplace is often circumvented by capitalism itself and the free enterprise system is used by some to cover price fixing and market allocation. Yet, in comparison, the two other systems hold little attraction. The Soviet system is designed to serve the state, not the people. The state capitalism of Hitler served his party and a few faithful industrialists.

Resource Bibliography

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National Federation of Independent Business

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1860	27		
1861	27		
1862	30		
1863	37		
1864	47		
1865	46		
1866	44		
1867	42		
1868	40		
1869	40		
1870	38	83	
1871	36	64	
1872	36	81	
1873	36	105	
1874	34	104	
1875	33	128	
1876	32	142	
1877	32	139	
1878	29	158	
1879	28	95	
1880	29	63	
1881	29	71	
1882	29	82	
1883	28	106	
1884	27	121	
1885	27	116	
1886	27	101	
1887	27	97	
1888	27	103	
1889	27	103	
1890	27	99	
1891	27	107	
1892	27	89	
1893	27	130	
1894	26	123	
1895	25	112	
1896	25	133	
1897	25	125	
1898	25	111	
1899	25	82	
1900	25	92	5.0
1901	25	90	2.4
1902	26	93	2.7
1903	27	94	2.6
1904	27	92	4.8
1905	27	85	3.1
1906	27	77	0.8
1907	28	83	1.8
1908	27	108	8.5
1909	27	87	5.2
1910	28	84	5.9
1911	28	88	6.2
1912	29	100	5.2
1913	29.7	98	4.4
1914	30.1	118	8.0
1915	30.4	133	9.7
1916	32.7	100	4.8
1917	38.4	80	4.8
1918	45.1	59	1.4

YEAR	CONSUMER PRICE INDEX 1967=100	FAILURE RATE PER 10,000 ENTERPRISES	UNEMPLOYMENT RATE: ANNUAL AVERAGE
1919	51.8	37	2.3
1920	60.0	48	4.0
1921	53.6	102	11.9
1922	50.2	120	7.6
1923	51.1	93	3.2
1924	51.2	100	5.5
1925	52.5	100	4.0
1926	53.0	101	1.9
1927	52.0	106	4.1
1928	51.3	109	4.4
1929	51.3	104	3.2
1930	50.0	122	8.7
1931	45.6	133	15.9
1932	40.9	154	23.6
1933	38.8	100	24.9
1934	40.1	61	21.7
1935	41.1	62	20.1
1936	41.5	48	16.9
1937	43.0	46	14.3
1938	42.2	61	19.0
1939	41.6	70	17.2
1940	42.0	63	14.6
1941	44.1	55	9.9
1942	48.8	45	4.7
1943	51.8	16	1.9
1944	52.7	7	1.2
1945	53.9	4	1.9
1946	58.5	5	3.9
1947	66.9	14	3.6
1948	72.1	20	3.4
1949	71.4	34	5.5
1950	72.1	34	5.0
1951	77.8	31	3.0
1952	79.5	29	2.7
1953	80.1	33	2.5
1954	80.5	42	5.0
1955	80.2	42	4.4
1956	81.4	48	4.1
1957	84.3	52	4.3
1958	86.6	56	6.8
1959	87.3	52	5.5
1960	88.7	57	5.5
1961	89.6	64	6.7
1962	90.6	61	5.5
1963	91.7	56	5.7
1964	92.9	53	5.2
1965	94.5	53	4.5
1966	97.2	52	3.8
1967	100.0	49	3.8
1968	104.2	39	3.6
1969	109.8	37	3.5
1970	116.3	44	4.9
1971	121.3	42	5.9
1972	125.3	38	5.6
1973	133.1	36	4.9
1974	147.7	38	5.6
1975	161.2	43	8.5
1976	170.5	35	7.7
1977	181.5	28	7.0

INFLATION*

1970 = 100

	UNITED STATES	JAPAN	WEST GERMANY	UNITED KINGDOM	SWEDEN
1968	90.2	88.3	94.9	89.2	91.0
1969	94.8	92.9	96.7	94.0	93.4
1970	100.0	100.0	100.0	100.0	100.0
1971	103.0	106.0	105.3	109.4	107.4
1972	107.5	110.9	111.3	117.2	113.8
1973	123.1	124.0	111.8	128.0	121.5
1974	140.7	154.1	127.1	148.0	133.5
1975	152.7	172.4	134.7	184.0	146.6
1976	157.4	188.4	140.8	214.9	161.7
1977	167.3	203.6	146.3	249.0	180.1
1978	181.3	211.2	150.8	269.8	197.7

* 1978 Yearbook of Labor Statistics
International Labor Office, Geneva 1978

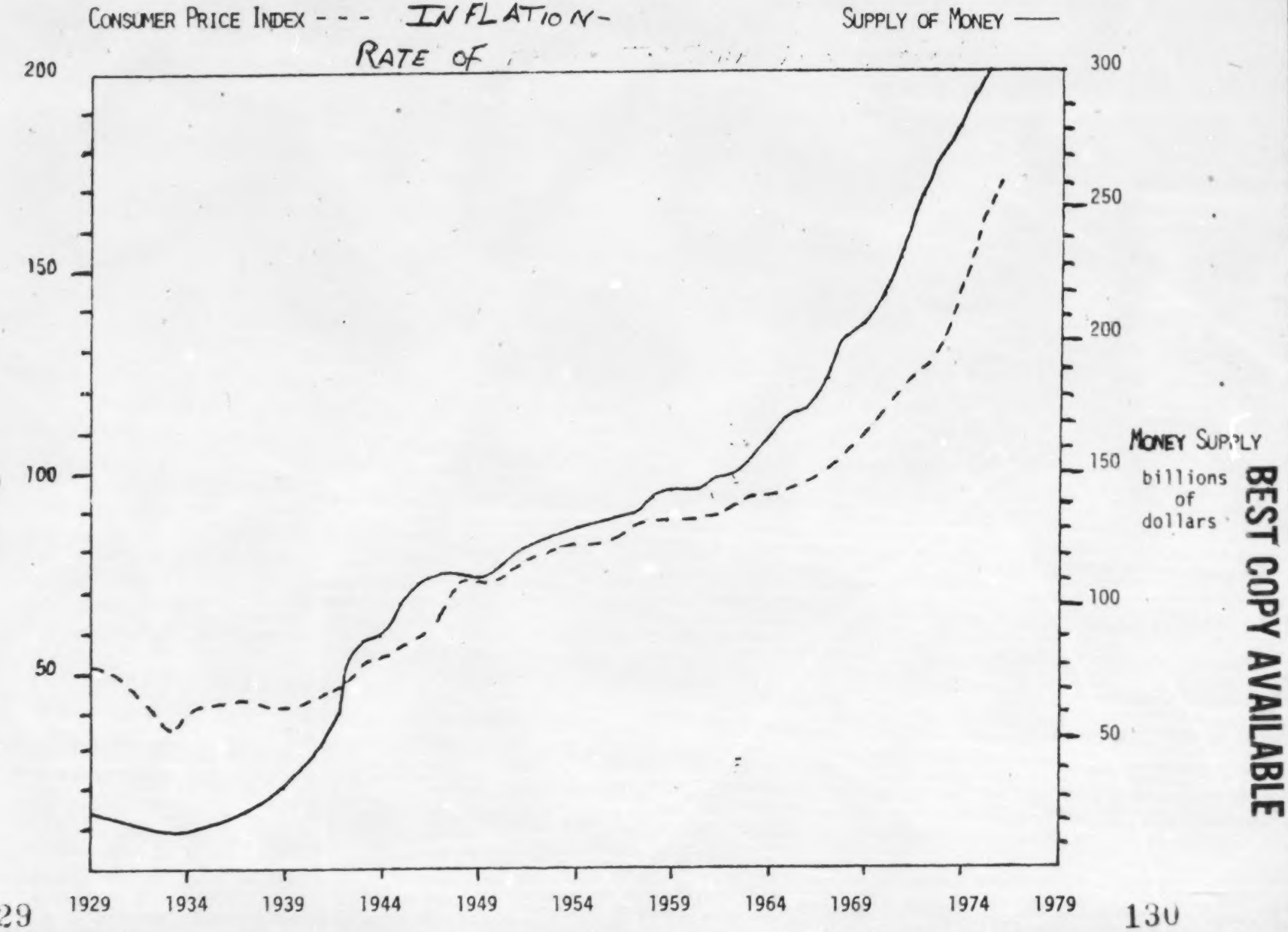
HYPER-INFLATION IN GERMANY
1920-1923

End of Month	Total Issues of Paper Currency (millions of marks)	Index of Whole Prices 1913=1	Index of Dollar Exchange Rates in Berlin 1913=1
1919 Dec.	50,065	8.03	11.14
1920 June	68,154	13.82	9.17
Dec.	81,387	14.40	17.48
1921 June	84,556	13,66	17.90
Dec.	122,497	34.87	43.83
1922 June	180,169	70.30	89.21
July	202,626	100.59	159.60
Aug.	252,212	192.00	410.91
Sept.	331,876	287.00	393.04
Oct.	484,685	566.00	1,071.94
Nov.	769,500	1,154.00	1,822.30
Dec.	1,295,228	1,475.00	1,750.83
1923 Jan.	1,999,600	3,286.00	11,672.00
Feb.	3,536,300	5,257.00	5,407.00
Mar.	5,542,900	4,827.00	4,996.00
April	6,581,200	5,738.00	7,099.00
May	8,609,700	9,034.00	16,556.00
June	17,340,500	24,618.00	36,803.00
July	43,813,500	183,510.00	262,030.00
Aug.	668,702,600	1,695,109.00	2,454,000.00
Sept.	28,244,405,800	36,223,771.00	38,113,000.00
Oct.	2,504,955,700,000	18,700,000,000.00	17,270,129,000.00
Nov.	400,338,326,400,000	1,422,900,000,000.00	1,000,000,000,000.00
Dec.	496,585,345,900,000	1,200,400,000,000.00	1,000,000,000,000.00

"Exchange, Prices, and Production in Hyper-Inflation: Germany, 1920-1923" by Frank G. Graham, Princeton University Press, 1930, p. 13

Price in Marks (In 1914, 1 German mark was worth 24 U.S. cents.)

Item	1914	1918	1922	Summer 1923	November 1923
Meat (1 pound)	.90	2.00	1,200	90,000	3,200,000,000,000
Potatoes (1 pound)	.04	.12	80	2,000	50,000,000,000
Beer (1 glass)	.13	.17	60	3,000	150,000,000,000
Egg (1)	.08	.25	180	5,000	80,000,000,000
Butter (1 pound)	1.40	3.00	2,400	150,000	6,000,000,000,000



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	Reference Period	Units	United States	Japan	West Germany	United Kingdom	Sweden
		Mid-1976					
GROSS DOMESTIC PRODUCT							
at market prices	1976	US $ billion[1]	1702.02	555.06	445.91	219.18	74.22
Average annual volume growth	1971 to 1976	%	2.9	5.1	2.4	1.8	2.5
Per capita	1976	US $[1]	7910	4920	7250	3910	9030
GENERAL GOVERNMENT							
Current expenditure on goods and services	1976	% of GDP	18.7	10.9	20.4	21.8	25.6
Current transfer payments	1976	% of GDP	11.8	9.2	19.1	15.2	22.0
Current revenue	1976	% of GDP	31.5	23.6	42.2	40.6	57.4
INDICATORS OF LIVING STANDARDS							
Private consumption per capita	1976	US $[1]	5110	2790	4010	2350	4830
Passenger cars, per 1000 inhabitants	1975	Number	498	154	290	249	336
Telephones, per 1000 inhabitants	1975	Number	695	405	317	379	661
Television sets, per 1000 inhabitants	1974	Number	571	233	305	315	348
Doctors, per 1000 inhabitants	1975	Number	1.6[3]	1.2[3]	1.9[3]	1.3[3]	1.6[3]
Access to higher education	1975	% of relevant age group	43.2	34.3[3]	24.2[3]	21.8[3]	(31.3)[2]
Infant mortality	1975	Number	16.1	10.0	19.7	16.0	8.3
WAGES AND PRICES	Average annual increase						
Hourly earnings in industry	1971 to 1976	%	7.8	17.7	8.9	17.0	13.4
Consumer Prices	1972 to 1977	%	7.7	12.9	5.7	16.3	9.4

[1]At current prices and exchange rates. [2]1972. [3]1974.

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End of 1969

	Reference Period	Units	United States	Japan	West Germany	United Kingdom	Sweden
PRODUCTION GNP per head	1969	$[2]	4660	1630	2520	1970	3570
GNP[3] annual volume growth	1969	%	2.8	12.5	7.9	1.3	5.8
	1964-1969	%	4.6	10.8	4.6	2.2	3.8
INDICATORS OF LIVING STANDARDS	1969						
Private consumption per head		$	2850	840	1390	1230	1790[1]
Passenger cars[4], per 1000 inhabitants		Number	410	52	199	196	253
Television sets[5], per 1000 inhabitants		Number	392	190	231	263	238
Telephones[5], per 1000 inhabitants		Number	523	204	172	218	478
Doctors[5], per 1000 inhabitants		Number	1.58	1.09[6]	1.48	1.15	1.13
GENERAL GOVERNMENT							
PUBLIC SECTOR[7] Total current revenue	1969	% of GNP	31.5	21.2	37.9	39.0	48.1[1]
WAGES/PRICES[9] Hourly earnings	Annual increase 1964-1969	%	4.8[10]	12.9[11]	6.5	6.0[13]	8.6[12]
Consumer prices		%	3.4	5.2	2.6	4.3	4.0

[1] Relates to 1968.
[2] At current prices and exchange rates.
[3] At constant (1963) prices.
[4] Relates to 1-1-1969.
[5] Relates to 1-1-1968.
[6] Relates to 1-1-1967.
[7] General government.
[8] Including depreciation.
[9] Industry.
[10] Manufacturing.
[11] Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.
[12] Mining and manufacturing, males.
[13] Hourly rates in manufacturing, males.

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